

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, November 18, 2020

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Forward contract prices opened mostly mixed this morning. Daily US cash markets are mixed mid-week, but all regional prices are still trending lower compared to the week-ago average reference prices. The negotiated WCB region is 'up one day and down the next' – today, the WCB is higher relative to the previous day but it has only partially offset the losses from the day earlier. The National region is a penny lower and ongoing weakness in the daily value of the carcass has pushed the National cutout-adjusted base price down another \$2.30 USD/cwt. The daily carcass value is now below the \$80 level for the first time since week ending September 12 (\$78.60), led by bellies which posted a one day drop of \$7.92 and are now at their lowest level for this marketing week (\$88.43) going back to 2013 when the new reporting format started. Even though cold storage volumes of bellies are at record lows, the perceived disconnect may be understood as a future demand issue – that is, so long as Covid-19 restrictions remain in place, the willingness of meat buyers to stock up on bellies may be questioned. Bacon, derived from bellies, is largely consumed away from home where its disappearance has been estimated to be ~70% of the total market. A prolonged period of Covid-19 restaurant and foodservice restrictions may disproportionately impact the value of the belly primal in the short-to-mid terms; retail (grocery) will not make up for the loss in the restaurant/foodservice sectors as related to bacon. Lean hog futures are mixed this morning, but the deferred contracts are trading lower as of this writing. Yesterday, lean hog futures experienced an 'up' day, but follow-through buying has not materialized. There is simply too much uncertainty regarding domestic demand to push markets higher presently. Exports remain good, but the domestic demand concerns have offset export optimism at this time. One thing is certain, export markets cannot see any weakness if futures prices are to remain at the levels they are and perceived demand weakness from any channel will pressure the futures. Tomorrow, the weekly Export Sales report will be released before trading and market watchers will be closely watching for clues on direction.

US soymeal futures opened higher this morning. The nearby soybean futures contracts are making a run for \$12 USD/bu and all contracts out to September 2021 are trading over \$11.00 USD/bu as of this writing. Strong demand and some dryness concerns in S. America are factors in the recent move higher which has seen a steady trend higher since the beginning of the month and an ~35% jump in value since August (nearby contract). Harvest is expected to wrap up this week amid dry US conditions to allow for remaining field work, but harvest pressure has not developed in the trade this year.

US corn futures opened higher this morning. Like beans, US corn futures have made a move higher and broken through the upper end of the recently established range. The market has not yet broken resistance levels, and the Relative Strength Index (RSI) appears to still hold some influence over daily market moves, but futures are making a decisive move higher this morning. Cheap US corn and ideas that China is actively attempting to build reserve stocks are factors as are some concerns regarding the Brazil crop due to weather (dryness).

US Slaughter	
493,000	Tuesday
498,000	Year Ago
Daily Prices	
WCB	\$58.67
National	\$70.59
Nat'l Cutout Adj	\$70.74
Signature 4	\$164.05
BP4/TCP4	\$164.05
HyLife Cash	\$174.10
HyLife Cutout	\$174.48
BoC Rate (Noon) prev. day \$1.3094 CAD / \$0.7640 USD	
Cash Prices Week Ending November 14, 2020	
Signature 4	166.23/75.40
h@ms Cash	164.23/74.49
HyLife Cash	176.22/79.93
HyLife Cutout	183.51/83.24
BP4/TCP4	170.27/77.23
OlyWest 2020	167.70/76.07
OlyWest 2021 (Cutout)	183.70/83.33
2020 Top-Up (YTD Rolling Est.) \$17.75 CAD/ckg	
ISO Weans \$38.01 US Avg.	
Feeder Pigs \$48.24 US Avg.	

FC Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig 4	144.38	132.82 143.03	145.58 148.60	144.24 150.50	149.81 158.60	155.36 170.04	172.60 181.18	178.37 181.65	173.92 184.59
Soymeal Del Wpg/S.Man									

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h@ms Marketing Services will be closed
Wednesday, November 11 for Remembrance Day. Forward contracting will be suspended and the HMO and Opening Price information will not be published.
Normal business resumes on Thursday, November 12.