

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, November 19, 2020

For details call: (204)235-2237 or visit www.hamsmarketing.ca

Forward contract prices opened mostly lower this morning. US

cash markets are lower with WCB down \$0.22, National \$0.49 lower, and the National cutout-adjusted reference down \$0.83 USD/cwt relative to the previous day. The net value of the carcass remains under pressure and posted a \$0.92 drop in yesterday's report. For a change, the belly primal did see some strength relative to the previous day, but it was hams (down \$8.87) that were responsible for pulling the daily net value lower. Market watchers have highlighted that the daily slaughter numbers on Monday (491,000 head) were revised lower to 477,000 by the USDA. It is much too soon to draw any conclusions from a one-day revision, but there is some speculation that slaughter numbers *may* be revised lower for other processing days this week. There could be any number of reasons for this, but there is anecdotal evidence that US packers are continuing to face a number of labour challenges and furthermore, that second wave Covid-19 outbreaks could additionally be keeping employees at home. The situation is dynamic and will be closely watched. Lean hog futures are trading sharply lower this morning as very little supportive news has developed recently. The idea that China is actively rebuilding their herds was gaining a fair amount of attention on the wires yesterday with thoughts that the hog herd has grown 26.9% and the sow herd 32%. Throughout ASF, China has been a very inconsistent US customer. To be clear, exports into China are historically good and will come in at record levels for the year. China has led the US export pace generally which will result in a banner year for US pork. The problem is they have been relatively inconsistent in their US purchasing activity and this will likely be the trend for the foreseeable future. For example, while China did commit to ~29,000 MT of US pork at the beginning of October and about half of all weekly commitments in recent reports, today's Export Sales report shows a new commitment of only 2,100 MT. The total 28,905 MT for week ending November 12 is 32% lower than last week, and 12% lower than the average pace seen since beginning of June. Optimists will point out that the weekly total is 24% higher than the five-year average, but the market simply needs to see stronger export sales in the context of domestic demand concerns in order to find support. Physical deliveries remain at the recent trend coming in at 38,817 MT for the week, but outstanding sales for the current marketing year are presently at record levels suggesting this pace can be sustained for now.

US soymeal futures opened mixed this morning. US soybean futures are mixed this morning but contracts out to August 2021 are still trading over \$11.00 USD/bu as of this writing and moving higher. Contracts past September 2021 are showing some softness. This morning's Export Sales report revealed the lowest level of new commitments for the current marketing year but still 42% higher than the five-year average for this marketing week at 1.387 MMT. Physical deliveries remain robust and showed 2.558 MMT were shipped for week ending November 12.

US corn futures opened mixed this morning. Like beans, the US corn futures market is mixed this morning but instead, with pressure developing in the nearbys and some ongoing strength in the deferreds – all contracts monitored are still trading over \$4.00 USD/bu. This morning's Export Sales report showed a slight increase in new net sales relative to last week, but a drop of over half relative to a couple weeks ago at 1.088 MMT. China did not make large commitments in the US corn market this week but did 'come in' first in terms of physical deliveries.

US Slaughter	
494,000	Wednesday
493,000	Year Ago
Daily Prices	
WCB	\$58.45
National	\$70.10
Nat'l Cutout Adj	\$70.10
Signature 4	\$162.53
BP4/TCP4	\$162.53
HyLife Cash	\$173.01
HyLife Cutout	\$173.01
BoC Rate (Noon) prev. day \$1.3063 CAD / \$0.7655 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	140.69	127.66 137.88	140.43 143.45	140.09 146.35	145.66 154.52	151.27 167.30	169.85 178.44	176.33 178.91	172.10 182.80
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.