

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, December 4, 2020

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

Forward contract prices opened mostly lower this morning. Daily US cash markets are lower to finish the week with the negotiated WCB region down \$0.65, National \$0.26 lower, and the National cutout-adjusted reference down \$3.06 USD/cwt relative to the previous day. Volatility in the ham primal is driving daily inconsistency in the net value of the carcass, and subsequently, the base prices that use cutout in price discovery. Earlier this week, hams were up double digits and offsetting losses seen in the other cuts. On the Thursday report, hams reversed track and are down \$13.58. As a trend, the ham primal typically drifts lower in a week or two out to the end of the new year after the holiday demand subsides. Weekly US base cash prices for week ending December 5 are (or are trending) lower relative to week ago – WCB, National, and the USDA cutout-formula are down by \$0.95, \$0.49, and \$0.77 USD/cwt, respectively. When the National cutout-adjusted base is determined later today, it will likely come in near week-ago levels – it is currently down by three cents. All regions typically see some softness heading into the new year by about 3% on average and while this has been anything but a typical marketing year, the present expectation is to see a mirroring of that trend. Lean hog futures are lower to finish the week and down for the fourth straight session if the morning pressure holds. Yesterday's export sales report, while 'good', was simply not enough to offset the negative tone regarding domestic demand concerns during 'second wave' Covid-19 uncertainty. Forward contract values are taking an additional hit this morning after the CAD moved higher by about three tenths of a cent in the early morning trade due to a Canadian labour report that was considered good by market participants.

US soymeal futures opened lower this morning. US soybean futures are lower this morning and appear to be consolidating at current levels. While physical deliveries remain robust, new net export sales reached a marketing year low in yesterday's report, keeping the upside in check. South American weather remains a large concern, particularly in Brazil, where dry weather has been a feature. China demand and potentially lower global stocks will be driving the upside and the consensus is that prices will remain elevated for the time being.

US corn futures opened lower this morning. Like beans, US corn futures are lower to finish the week and consolidating at current levels. All contracts monitored are trading decisively over the psychological \$4.00 USD/bu. level and are expected to remain at these levels for the foreseeable future. Ethanol use (or lack thereof) is keeping the upside in check, but also like beans, dry weather in South America and speculative global demand outlooks are supporting the trade. The USDA will release the December WASDE report next week.

US Slaughter	
492,000	Thursday
497,000	Year Ago
Daily Prices	
WCB	\$56.00
National	\$68.12
Nat'l Cutout Adj	\$68.81
Signature 4	\$155.74
BP4/TCP4	\$155.74
HyLife Cash	\$166.08
HyLife Cutout	\$167.75
BoC Rate (Noon) prev. day \$1.2880 CAD / \$0.7764 USD	
Cash Prices Week Ending	
December 5, 2020	
Signature 4	156.89/71.16
h@ms Cash	154.89/70.26
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	159.35/72.28
OlyWest 2020	156.40/70.94
OlyWest 2021 (Cutout)	171.90/77.97
2020 Top-Up (YTD Rolling Est.) \$17.44 CAD/ckg	
ISO Weans \$40.16 US Avg.	
Feeder Pigs \$50.00 US Avg.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4	129.46 139.23	141.73 144.69	143.17 149.08	151.12 156.91	156.00 167.86	170.36 178.76	177.29 179.22	171.82 182.30	156.13 165.02
Soymeal Del Wpg/S.Man									

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