

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 7, 2020

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

Forward contract prices opened mostly higher this morning. US

cash markets are mixed to start the week with the negotiated WCB region up \$0.49, and the National cutout adjusted base higher by \$1.54 USD/cwt relative to the previous day. Daily strength in the value of the carcass is providing support to prices that use a larger proportion of the cutout in price discovery. The traditional National daily price is down by a nickel. Compared to the weekly prices, all values are 'holding steady' in relative terms. There is not much supportive news to push cash markets higher - indeed, there is talk meat buyers overbought in anticipation of another run on the meat case ahead of the holidays combined with a potential second wave of Covid-19 lockdown. But there is no reason for untoward pressure either. Cash markets typically fall by about 3% by the end of the year from this marketing week in most regions and the current expectation is for a similar pattern or a sideways trend heading into the new year. Lean hog futures are faring less better and are notably lower to start the early morning session. The nearby contracts are taking the brunt of the pressure with February and April futures down by double digits. Any number of reasons could be behind this morning's pressure, but it would not be a leap to suggest the market could be pricing in a vaccine roll-out. That is to say, a number of Covid-19 vaccination plans are starting to surface in varying jurisdictions and the general population will likely not have access to the vaccine for months. Domestic demand in the US is presently a concern and exports, while good relatively speaking, need to remain at present levels in order for the market to hold value. There is a lot of uncertainty in the market and the tone is bearish for now. However, like cash markets, the futures trade has also been in a sideways and choppy pattern recently; up one day and down the next. Today could just be a 'down day' as the fundamentals have not changed significantly.

US soymeal futures opened lower this morning. US soybeans are lower to start the week but futures contracts out to August 2021 are still trading above \$11.00 USD/bu. There were no new significant purchases from China last week and no announcements this morning from the USDA. Brazil, which has been dry, received some rain over the weekend but ongoing weather concerns in South America are limiting the downside.

US corn futures opened lower this morning. US corn futures are trading lower to start the week and for the third session in a row. The 'top' for US corn futures appears to be established between \$4.20 and \$4.30 USD/bu and the market has not yet breached \$4.30 with any consistency. Fundamental issues are priced in for now and the market appears to be consolidating at current levels. The December WASDE report will be released this week.

US Slaughter	
2.789 mil.	Last Week
2.804 mil.	Year Ago
Daily Prices	
WCB	\$56.29
National	\$68.07
Nat'l Cutout Adj	\$70.35
Signature 4	\$154.67
BP4/TCP4	\$154.67
HyLife Cash	\$165.26
HyLife Cutout	\$170.81
BoC Rate (Noon) prev. day \$1.2801 CAD / \$0.7812 USD	
Cash Prices Week Ending December 5, 2020	
Signature 4	156.89/71.16
h@ms Cash	154.89/70.26
HyLife Cash	166.51/75.53
HyLife Cutout	172.00/78.02
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 \$41.95 US Avg.	
Feeder Pigs \$54.43 US Avg.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4	132.41 139.69	142.18 145.14	144.34 150.25	152.30 158.30	157.39 169.03	171.54 179.95	177.52 180.40	172.45 182.90	156.40 165.25
Soymeal Del Wpg/S.Man									

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