

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, December 11, 2020

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

US Slaughter

| | |
|---------|----------|
| 493,000 | Thursday |
| 498,000 | Year Ago |

Daily Prices

| | |
|------------------|----------|
| WCB | \$53.79 |
| National | \$67.56 |
| Nat'l Cutout Adj | \$70.41 |
| Signature 4 | \$152.71 |
| BP4/TCP4 | \$152.71 |
| HyLife Cash | \$163.05 |
| HyLife Cutout | \$170.35 |

BoC Rate (Noon) prev. day
\$1.2734 CAD / \$0.7853 USD

Cash Prices Week Ending

December 12, 2020

| | |
|-----------------------|--------------|
| Signature 4 | 153.55/69.65 |
| h@ms Cash | 151.55/68.74 |
| HyLife Cash | N/A |
| HyLife Cutout | N/A |
| BP4/TCP4 | 156.89/71.16 |
| OlyWest 2020 | 153.30/69.54 |
| OlyWest 2021 (Cutout) | 169.60/76.93 |

2020 Top-Up (YTD Rolling Est.)

\$17.44 CAD/ckg

ISO Weans \$41.95 US Avg.

Feeder Pigs \$54.43 US Avg.

Forward contract prices opened mostly lower this morning. US

cash markets are finishing off the week mixed with the negotiated WCB region \$1.62 lower, National up by a dime, and the National cutout-adjusted base price \$0.57 USD/cwt higher relative to the previous day. Weekly base prices moved lower this week; WCB, National, and the USDA cutout-formula base (used for price discovery in Red Deer) are \$0.90, \$0.65, and \$0.33 lower, respectively. When the National cutout-adjusted base is determined later today, it will likewise be lower near the \$0.30 mark. Net demand appears stable for now, but large slaughter numbers are adding on the supply side. And while the value of the carcass has been holding steady since the end of November, there is some weakness in individual primals that could limit the extent of cutout 'support' in the short term. Bellies and loins, making up ~41% of the value of the carcass, are at seasonal lows – bellies are at their lowest daily value for this marketing week and loins are second lowest. Hams, making up ~25% of cutout value, are at the highest level for this marketing week and presently providing some stability to the net value of the carcass when combined with the others. Lean hog futures are lower to finish the week with no rationale to make a move to the upside other than on technical grounds. The fundamental picture has not changed recently, and US domestic demand remains a concern for the post-holiday season in the context of ongoing Covid-19 restrictions. While physical export markets remain strong, new net sales (future commitments) have recently come in below expectations. Despite Covid-19 vaccine roll-out announcements, the general public will likely not be vaccinated for months, potentially keeping restrictions in place and subsequently tempering domestic demand. Regardless, futures values are not yet at the recent lows seen at the end of November.

US soybean futures opened higher this morning. US ending stocks of soybeans were estimated by the USDA to be at 175 million bushels on the December WASDE report. This is the fourth lowest ending stocks number going back to 2010 for the December report - only 2010, 2012, and 2013 were lower, and not by much. The news was considered bullish for bean futures contracts and are trading higher on follow through buying.

US corn futures opened mixed this morning. The December WASDE report was considered neutral by the trade as ending stocks estimates for the US corn crop came in at 1.702 billion bu. against a pre-report range of estimates between 1.550 and 1.775 billion bu. In six of the past 10 years, ending stocks on the December report have been between 1.5 and 2.0 billion bushels. US corn futures are trading mixed as of this writing.

| FC Range (at opening) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig 4 | 129.74 136.98 | 139.47 142.41 | 141.62 147.51 | 149.54 155.45 | 154.54 167.15 | 169.64 178.01 | 176.88 178.47 | 171.71 182.14 | 155.33 164.18 |
| Soymeal Del Wpg/S.Man | | | | | | | | | |

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STRENGTH IN NUMBERS