

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 14, 2020

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Forward contract prices opened higher this morning. US cash markets are mixed to start marketing week 51 with the negotiated WCB region up \$0.86, National \$0.43 lower, and the National cutout-adjusted variant \$1.33 higher due to daily variability in the net value of the carcass. Net carcass values remain relatively flat, however, and have been priced in the \$78 USD/cwt range over the previous four weeks; the daily value on Friday was \$79.71. Weekly slaughter levels have been trending almost exactly along the profile seen in 2019. Since the US Thanksgiving holiday, weekly slaughter compared to year-ago has not seen more than 1.5% variability and less than 1% over the past three weeks. It is quite likely that the weekly slaughter pace will mirror 2019 levels but recall that this year, there are 53 weeks in the marketing year. Either way, slaughter will likely increase heading into the holiday weekend and then back off substantially into the holiday season. This week could be a relatively large production week. Lean hog futures are higher to start the first session of the week after seeing some significant pressure on Friday. Support levels appear to be holding for now, though, and the market did not further than what would be expected from a technical standpoint. While the market is up today, it is merely recovering from the pressure seen on Friday and has so far only made up for about half the losses in the previous session. Forward contract pricing in Canadian dollars remains comparatively low, however, due to the recent strength in the Canadian dollar. The CAD was trading around the 75-cent level at the end of October at its lowest. Today, the CAD is hovering around 78.5 cents representing an approximate \$7.00 CAD/ckg discount if lean hog values remained constant. Put another way, Canadian forward contract values are about \$7.00 CAD/ckg lower than they would be with a 75-cent dollar.

US soymeal futures opened higher this morning. US soybean futures continue to trade higher on strong demand expectations from China and some concerning weather developments in South America. Pictures of extremely dry conditions in Brazil are making the rounds on social media, but it is important to remember these images are not representative of the entire growing region. South America is large and while there are expectations that crop production will be reduced in further estimates, Brazil, for example, is still expected to produce a relatively large crop.

US corn futures opened mixed this morning. Like beans, South American weather issues and export expectation are providing underlying support for the US corn futures trade. The USDA changed no supply or demand estimates for US corn on the WASDE report last week, but global carryout estimates were lowered slightly. All futures contracts are trading above \$4.00 USD/bu and trending higher since the beginning of November.

US Slaughter	
2.776 mil.	Last Week
2.772 mil.	Year Ago
Daily Prices	
WCB	\$54.65
National	\$67.13
Nat'l Cutout Adj	\$71.74
Signature 4	\$152.14
BP4/TCP4	\$152.14
HyLife Cash	\$161.13
HyLife Cutout	\$172.20
BoC Rate (Noon) prev. day \$1.2769 CAD / \$0.7831 USD	
Cash Prices Week Ending December 12, 2020	
Signature 4	153.55/69.65
h@ms Cash	151.55/68.74
HyLife Cash	162.63/73.77
HyLife Cutout	170.00/77.11
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.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4	136.41 138.22	140.71 143.64	142.33 148.21	150.25 156.19	155.17 166.48	168.96 177.33	176.13 177.79	171.15 181.57	152.75 163.18
Soymeal Del Wpg/S.Man									

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