

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 21, 2020

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

Forward contract prices opened lower this morning. Daily US cash markets are lower to start marketing week 52 with uncommitted hogs in the WCB down \$0.55 USD/cwt and both National variants \$0.71 lower as the conditions associated with the cutout-adjustment have been triggered in recent marketing days. Recall there is one additional week on the accounting calendar in 2020 to bring total marketing weeks to 53 this year. Last week's slaughter came in at 2.792 million head or about 1% lower than year-ago. Processing numbers have remained essentially on pace with last year since the end of September when plant protocols in a Covid-19 working environment started to become normalized. Labour issues remain a challenge for the most part. The net result is a slaughter pace that was only 0.66% lower than year ago on average since week ending September 19. This week, slaughter will drop substantially as it always does during the Christmas week, but there is talk and additional shift or two may also be cancelled at some plants and the market will be waiting to see if that is indeed the case. Post-holiday demand will also be closely watched and is presently a bit of a concern as Covid-19 restrictions on both sides of the border will likely not be relaxed in the short term. Lean hog futures were choppy and two sided in the early morning trade but are settling into a lower pattern as of this writing. There is not much to pitch the futures market in one direction or another which remains rangebound, and all will be watching to see how post-holiday demand profiles shape up in the new year. On Wednesday, the USDA will release survey results in the December Quarterly Hogs and Pigs report which could be a market mover on Christmas eve; the day will also see reduced trading hours due to the holiday disruption. The report, nonetheless, and the subsequent reaction to it, will likely set the tone in the futures market for at least the first quarter in 2021.

US soymeal futures opened higher this morning. Follow-through buying continues in the US soybean futures market for the third consecutive session. The trend has remained decisively higher since the derecho event in August with the exception of some interim corrections. Strong demand (especially from China), lower (ing) South American production estimates, and now talk/ideas that some dryness could develop in the USA for the 2021 growing season are all factors behind the recent strength.

US corn futures opened mixed this morning. US corn futures started the session off on a lower note but have corrected and are trading higher as of this writing. The nearby contract presently remains at the upper end of recent values but has yet to break higher than the current resistance level which is sitting around the \$4.38 USD/bu level. Bullish factors included reduced South American production estimates and descent demand outlooks. Bearish factors include comparatively poor domestic ethanol demand expectations and ideas the Brazil will not extend the tariff free limit on US ethanol.

US Slaughter	
2.792 mil.	Last Week
2.825 mil.	Year Ago
Daily Prices	
WCB	\$51.57
National	\$65.76
Nat'l Cutout Adj	\$71.47
Signature 4	\$149.11
BP4/TCP4	\$149.11
HyLife Cash	\$157.64
HyLife Cutout	\$157.64
BoC Rate (Noon) prev. day \$1.2775 CAD / \$0.7830 USD	
Cash Prices Week Ending December 19, 2020	
Signature 4	151.56/68.75
h@ms Cash	149.54/67.84
HyLife Cash	160.30/72.71
HyLife Cutout	161.72/73.36
BP4/TCP4	153.55/69.65
OlyWest 2020	150.40/68.22
OlyWest 2021 (Cutout)	167.10/78.80
2020 Top-Up (YTD Rolling Est.) \$17.24 CAD/ckg	
ISO Weans \$45.10 US Avg.	
Feeder Pigs \$56.15 US Avg.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4	140.55	143.06 146.03	145.07 151.00	153.06 159.05	158.14 170.17	172.68 181.12	178.79 181.58	173.62 184.11	156.63 165.52
Soymeal Del Wpg/S.Man	n/a								

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Headingley Main Office	h@ms Holiday Schedule 2020/2021	Risk Management (all times Central)
Closed	Thursday, December 24	Closed
Closed	Friday, December 25	Closed
OPEN	Thursday, December 31	OPEN
Closed	Friday, January 1	Closed