

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, December 22, 2020

For details call: (204)235-2237 or visit

www.hamsmarketing.ca

US Slaughter

487,000 Monday
496,000 Year Ago

Daily Prices

WCB \$50.75
National \$64.44
Nat'l Cutout Adj \$65.12
Signature 4 \$146.97
BP4/TCP4 \$146.97
HyLife Cash \$155.18
HyLife Cutout \$156.78

BoC Rate (Noon) prev. day
\$1.2849 CAD / \$0.7783 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.

Forward contract prices opened lower this morning. Daily pricing in the US cash markets continues to drift lower but some of the volatility that had been seen earlier appears to have subsided for now. The value of the daily cutout likewise continues to bias lower for marketing week 52 and will have a pressuring effect on base prices using a larger component of carcass value in the calculation. Regardless, base cash values in all regions remain at or near the upper end of the pricing range for this marketing week. On Wednesday, the USDA will release survey results in the Quarterly Hogs and Pigs report. The last report in September was considered controversial and there are still many opinions among analysts ahead of this release even though the initial disruption due to Covid-19 is largely behind the industry. To be clear, there are still challenges, but the initial shock has passed for now. While some estimates are relatively tight, suggesting some consensus, others in the heavier weight categories indicate no such agreement: a 9.8-point spread in the 180+lb. weight category and a 6.5 point spread in the 120-179 lb. category indicates there is still a lot of disagreement on how the industry performed over the height of Covid-19 disruptions. The report will be released at 3:00PM after the futures market closes meaning the first day to react to the report will be December 24 which is a shortened trading day due to Christmas eve. Lean hog futures are mixed this morning but trading in the middle of the range as they have been since last week. The market is simply waiting for the next news item for direction as the technicals are weak and most fundamental information is priced in for now.

US soymeal futures opened lower this morning. US soybean futures are backing off for the first time in four sessions and a steady run up since December 9; the last time the bean market closed lower was December 16. No real reversal developing, however. US bean futures remain over \$12.00 USD/bu out to the August contract and strong China demand combined with South American weather uncertainty are likely to be supportive for the foreseeable future.

US corn futures opened mixed this morning. The nearby contract is testing new highs but some of the momentum appears to be fading for now. Deferred contracts are trading lower as of this writing. Some 'holiday week' volatility is expected as traders take positions ahead of some extra days off – trading volume is expected to be light for the shortened Christmas eve session. Like beans, export demand outlooks and S. American weather are supportive. Poor ethanol demand is keeping the upside in check.

Analysts' Expectations vs. Dec 2020 Quarterly Hogs and Pigs Report

	Range of estimates (% of 2019)	Avg. Pre-report	USDA Report
All hogs	97.2-100.2	99.0	
Breeding	97.2-98.5	98.2	
Marketing	97.3-100.3	99.0	
>180 lbs.	96.7-106.5	101.9	
120-179 lbs.	97.6-104.1	100.4	
50-119 lbs.	96.9-100.5	98.3	
<50 lbs.	95.8-98.9	97.6	

Source:: citing Reuters in NPB; USDA-NASS

FC Range (at opening)

Maple Leaf Sig 4

Soymeal Del Wpg/S.Man

Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sept

143.07

145.58
148.56

147.03
152.98

155.04
160.99

160.07
172.14

174.65
183.12

180.81
183.58

175.55
186.07

157.82
166.74

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