

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 28, 2020

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

**Forward contract prices opened lower this morning.** Today marks the start the last marketing week in 2020 which will also be a 'short week' due to the New Year's Day interruption on Friday. Both daily and weekly pricing is comparatively higher compared to other years, but values have drifted lower since October which was expected even amid the earlier uncertainty. Some of the uncertainty has been removed for now with the release of the Quarterly Hogs and Pigs report that was published on December 23. The inset chart shows the USDA's estimates on pig crop and weight categories relative to pre-report expectations. The 3% drop in the breeding herd relative to year-ago stands out and is considered supportive. The 6.276 million breeding herd is the lowest number since 2018 and the decline is the largest one since 2014, likely reflecting on-farm decisions that were made during the height of Covid-19 production disruptions. The following day, futures responded as one might expect – some pressure in the front month due to better than year-ago supply estimates in the heavier weight categories, and expectations of less supply further out supporting the deferreds. All else equal, the report would likely be considered a bullish one, but lean hog futures have only responded 'modestly' and are in fact lower as of this writing. Why? Because the futures market takes much more into consideration than just one supply-side report, albeit an important one. There is still a lot of domestic demand uncertainty looming (although there is some anecdotal evidence cold storage space could be filled soon) and the weekly Export Sales report, also released last week, was just ok. The 40,500 MT in physical deliveries is still maintaining the upward trend that began in June. However, new commitments, while comparatively good, are a bit lacking presently with 16,300 MT for the remainder of 2020 (also expected at this time of year) and 23,400 MT for 2021 which, while comparatively good, is not enough to provide a boost to the futures market.

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	99.1
Breeding	97.2-98.5	98.2	97.0
Marketing	97.3-100.3	99.0	99.3
>180 lbs.	96.7-106.5	101.9	101.2
120-179 lbs.	97.6-104.1	100.4	100.0
50-119 lbs.	96.9-100.5	98.3	98.2
<50 lbs.	95.8-98.9	97.6	99.0

Source: citing Reuters in NPB; USDA-NASS

**US soymeal futures opened lower this morning.** The January contract approached, and the March contract reached, \$12.80 USD/bu, but it appears that is all the market has in it for now as US soybean futures back off following six straight sessions of gains. Physical deliveries of beans for export came in at 2.518 MMT which is notable for this time of year – it is also notable that they have remained above 2.0 MMT for 12 consecutive week, often higher than 2.5 MMT and one week over 3.2 MMT. New net sales were lackluster, but this is a seasonal development over the holiday period.

**US corn futures opened higher this morning.** Ideas that US corn will be desired in the export market is providing support, but last week's export sales report suggests they merely remain ideas for now. Physical deliveries were seasonal and trendline coming in at 833,664 MT. New net sales (future commitments) were 66% lower than week-ago and at one of the lowest levels for the marketing week in recent memory at 651,102 MT.

US Slaughter	
451,000	Wednesday
0	Year Ago
Daily Prices	
WCB	\$50.84
National	\$64.20
Nat'l Cutout Adj	\$64.20
Signature 4	\$146.49
BP4/TCP4	\$146.49
HyLife Cash	\$156.20
HyLife Cutout	\$156.20
<b>BoC Rate (Noon) prev. day</b> \$1.2856 CAD / \$0.7778 USD	
Cash Prices Week Ending December 26, 2020	
Signature 4	147.54/66.92
h@ms Cash	145.54/66.92
HyLife Cash	155.79/70.67
HyLife Cutout	156.32/70.91
BP4/TCP4	151.56/68.75
OlyWest 2020	145.55/66.02
OlyWest 2021 (Cutout)	160.70/72.89
<b>2020 Top-Up (YTD Rolling Est.)</b> \$17.16 CAD/ckg	
ISO Weans \$47.00 US Avg.	
Feeder Pigs \$59.70 US Avg.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4	142.14	144.64 147.61	154.97 160.86	154.97 160.86	159.94 172.75	175.26 183.69	180.38 184.15	174.65 185.11	157.15 166.01
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	Monday, Dec. 28 to Thursday, Dec. 31	OPEN
Closed	Friday, January 1	Closed