

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, December 29, 2020

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

US Slaughter

| | |
|---------|-----------|
| 490,000 | Wednesday |
| 485,000 | Year Ago |

Daily Prices

| | |
|------------------|----------|
| WCB | \$51.29 |
| National | \$63.38 |
| Nat'l Cutout Adj | \$64.67 |
| Signature 4 | \$144.39 |
| BP4/TCP4 | \$144.39 |
| HyLife Cash | \$153.33 |
| HyLife Cutout | \$156.45 |

BoC Rate (Noon) prev. day
\$1.2835 CAD / \$0.7791 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 |

2020 Top-Up (YTD Rolling Est.)

\$17.16 CAD/ckg

ISO Weans \$47.00 US Avg.

Feeder Pigs \$59.70 US Avg.

Forward contract prices opened mixed this morning. Daily US cash prices are hovering around their respective three-year averages for the last marketing week of the year. Most years do not have 53 weeks in the year (as 2020 does) so comparisons need to be made to marketing week 52. In any event, the WCB is 2% lower, the National is 4% higher, the National cutout-adjusted variant is 4% lower, and the weekly USDA cutout-formula used in Red Deer has already been determined for week ending January 2 and is 1% lower than the benchmark. Some strength in the value of the cutout is adding some support to formulas using more of a cutout component in its price discovery this week, but it is not following any trends per se; the net value of the cutout has only been higher in the last marketing week of the year twice since 2013 when the USDA started reporting carcass values this way and not by very much. Lean hog futures continue to trade in a two-sided pattern and well within the established ranges. The market is simply waiting for new information as all fundamental news including the results of the Quarterly Hogs and Pigs report are priced in for now. There is essentially no new trend to speak of and lean hog futures will likely trade in a sideways pattern in the short term. Market participants will be keeping a close eye on signs of the domestic economy returning more to normal as well as the export pace. For now, though, there are domestic demand uncertainties until economies once again open back up, and while the physical delivery aspect of the export volume is very good, it is mostly drawing down on previous commitments. New net commitments are what will drive the deferred futures market and for now, those volumes have not been enough - in fact, new commitments have backed off in recent reports although it is certainly not a guarantee that this continues to be a longer-term trend.

US soymeal futures opened higher this morning. After a 'down day' yesterday on talk of profit taking, the nearby US soybean futures have turned around and are once again approaching the \$12.80 USD/bu level. South American weather and strong export demand have been the primary supports. So too, however, is a lingering port and plant strike in Argentina where there is news that over 140 vessels are lined up waiting to be loaded as negotiations continue. There is talk this morning that the labour issues could be resolved today.

US corn futures opened lower this morning. US corn futures are also sensitive to South American weather where it is expected to remain hot for the next couple weeks. Futures values have seen 10 consecutive sessions of strength and no sign of backing off other than the typical talk of when a top will be reached. The front month contracts are all trading over \$4.50 USD/bu as of this writing. While ethanol demand remains a concern, some recent strength in the broader energy market is also lending support.

| FC Range (at opening) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sept |
|-----------------------|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig 4 | 143.34 | 145.85 148.80 | 147.50 153.42 | 155.46 161.13 | 160.22 171.79 | 174.29 182.69 | 179.88 183.14 | 173.97 184.42 | 156.71 165.57 |
| Soymeal Del Wpg/S.Man | n/a | | | | | | | | |

This bulletin is intended as a marketing tool for subscribed members only. Prices are **not** quotes and **all pricing is subject to verification**. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

| 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 |