

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 30, 2020

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

Forward contract prices opened higher this morning. US cash markets are mixed with uncommitted hogs in the WCB region down \$0.74 USD/cwt, National \$0.55 lower, and the National cutout-adjusted base higher \$0.45 on some modest daily strength in the value of the pork cutout. Despite the one-day increase in carcass price, net primal values are still at the third lowest level seen for the last marketing week of the year. The support will nonetheless provide a bit of a boost to base pricing that uses a larger component of the cutout in price discovery. On balance, when prices are determined this week for week ending January 2, they will likely be 'in line' with seasonal averages. Lean hog futures started the morning sharply higher with the two front-month contracts (February and April) seeing gains of over \$1.00 USD/cwt. But while it appeared that the session might be in for some stronger support initially, the upper-bound of the recently establish range remained intact and the trade has since backed off from the earlier session highs. The move is a continuation of the pattern that has been in place since the beginning of November and tomorrow the market could come right back down again. The most recent Quarterly Hogs and Pigs report provided the market with some supply-side estimates which could be supportive if this version of the report is more accurate. To be sure, there were a lot of revisions and still some inconsistencies, but demand will also need to be closely watched. Domestic demand is stable but still uncertain further out, and export demand arguably needs to be better to lift deferred futures higher – export demand certainly cannot come down from current levels if values are to hold. Exports are comparatively good today and record for the year, but if they drifted back down to seasonal averages, it would be a struggle to keep present values in place.

US soymeal futures opened mixed this morning. The Argentina port and crusher strike has concluded but it is likely not enough to prompt the US soybean futures market into a reversal substantially lower. While beans are trading lower this morning, they are still at record levels and contracts out to May 2021 are trading above \$12.90 USD/bu as of this writing. The market has not yet breached the psychological \$13.00 level yet, but came within \$0.04 at the close yesterday.

US corn futures opened higher this morning. Follow-through buying of US corn futures continues following a \$0.10 move in the nearby contract yesterday which was the largest upward move since November 10. While ethanol demand still remains to be a concern for the US corn futures market, there are ideas that ongoing South American weather concerns and demand from China due to lower production estimates (not to mention some Phase One pressure - yes, this is still being talked about), will be supportive.

US Slaughter	
465,000	Thursday
408,000	Year Ago
Daily Prices	
WCB	\$50.55
National	\$62.83
Nat'l Cutout Adj	\$65.12
Signature 4	\$142.82
BP4/TCP4	\$142.82
HyLife Cash	\$152.01
HyLife Cutout	\$157.56
BoC Rate (Noon) prev. day \$1.2806 CAD / \$0.7809 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.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4		148.68 151.63	148.75 154.65	156.69 162.68	161.78 173.16	175.66 184.05	180.89 184.50	174.89 185.31	157.67 166.51
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