

Hog Margin Outlook

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Monday, January 4, 2021

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Forward contract prices opened higher this morning. Happy New Year from h@ms Marketing Services! US cash markets start the first day of the new marketing year mixed with the negotiated WCB region up \$0.32 USD/cwt, National lower by a quarter, and the National cutout-adjusted variant \$5.13 higher on some strength in the value of the daily cutout. Hams and bellies led primal values by double digits coming in \$12.72 and \$12.80 higher, respectively, relative to the previous day. Market participants will be watching very closely to see if the trajectory upward can be maintained, but daily volatility in the individual cuts has been a feature of primal values recently so there is a bit of skepticism that a trend will develop per se. Nevertheless, export demand remains strong, cold storage stocks remains at historically low levels, and there is some optimism that the new year could bring on some new demand especially as Covid-19 vaccines are administered and regional economies (re)open even though the latter point could take a bit of time. Supply constraints due to low breeding herd numbers estimated in the most recent Hogs and Pigs report could create some extra competition for supplies when those animals become marketed. Lean hog futures gapped higher at the open on follow-through buying that developed on New Year's Eve. The move higher on December 31 was spurred by the weekly Export Sales report that showed ~40,000 MT of pork was committed to in 2021 during the reporting period. This week's numbers will be watched closely especially since the relatively high volume was committed to for the short Christmas reporting week. Futures values are presently about 7% higher than cash averages for a nine-month period with the April and October contracts 11% higher than their cash benchmarks. Futures values have backed off after hitting some technical resistance levels this morning, but the tone to start the new year is one of optimism.

US soymeal futures opened higher this morning. US soybean futures continue to climb higher with all contracts out to July 2021 trading above \$13.00 USD/bu. as of this writing. The upward momentum is a continuation of a trend that started last August with only a few corrective actions over the past four and a half months. Fundamentals remain bullish and rationing price level has not yet been reached.

US corn futures opened mixed this morning. US corn futures started the first session of 2021 on a higher note but have backed off and are trading mixed in the early session. The picture for US corn is a bit murkier but good export demand outlooks, potential supply constraints in South America, and some early drought indicators in the USA are all supportive today. Outlooks are presently calling for the trade remain at current or higher levels for the foreseeable future.

US Slaughter	
425,000	Thursday
491,000	Year Ago
Daily Prices	
WCB	\$50.36
National	\$63.02
Nat'l Cutout Adj	\$70.52
Signature 4	\$142.43
BP4/TCP4	\$142.43
HyLife Cash	\$151.69
HyLife Cutout	\$169.74
BoC Rate (Noon) prev. day \$1.2732 CAD / \$0.7854 USD	
Cash Prices Week Ending January 2, 2021	
Signature 4	143.07/64.90
h@ms Cash	141.07/63.99
HyLife Cash	152.44/69.15
HyLife Cutout	160.40/72.76
BP4/TCP4	147.54/66.92
OlyWest 2020	139.70/63.37
OlyWest 2021 (Cutout)	160.00/72.58
2020 Top-Up (Estimated Final) \$17.16 CAD/ckg	
ISO Weans \$49.06 US Avg.	
Feeder Pigs \$67.38 US Avg.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4		154.42 157.36	151.30 157.18	159.21 164.75	162.79 174.06	176.55 184.89	183.00 185.34	177.15 187.57	159.94 168.77
Soymeal Del Wpg/S.Man	n/a								

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