

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 5, 2021

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

## US Slaughter

490,000	Monday
497,000	Year Ago

## Daily Prices

WCB	\$50.78
National	\$64.00
Nat'l Cutout Adj	\$69.99

Signature 4	\$144.84
BP4/TCP4	\$144.84
HyLife Cash	\$153.59
HyLife Cutout	\$167.98

**BoC Rate (Noon) prev. day**  
\$1.2751 CAD / \$0.7843 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.

**Forward contract prices opened higher this morning.** US cash markets are mixed with the WCB up \$0.42 USD/cwt, National \$0.98 higher, and the National cutout-adjusted base \$0.53 lower following some weakness in the daily value of the cutout. Daily cutout values for this marketing week are higher than seen in recent years (2016, 2019, 2020), but there have been other years when cutout values are stronger such as 2014 (pre-PEDv rally), 2015, 2017, and 2018. On balance, live hog pricing in the formula cash markets remains relatively stable until the beginning of April when observing the average. Of course, there is some variability between marketing years, but prices generally move in a steady-to-lower pattern until the spring run-up. Of course, this could be a very interesting year. Ongoing lockdowns that curb demand especially in the foodservice and restaurant sectors are pressuring in the shorter term as are post-holiday demand weakness and ongoing large production numbers from comparatively heavy, packer-owned hog weights; there is still a lot of pork to clear. But ideas that the breeding herd could be producing less piglets at around the time when pandemic restrictions are being loosened, historically low stocks in cold storage, ongoing packer profitability, good export outlooks, and ideas that packers will be refilling supplies suggest the spring rally could be a bit more pronounced this year and may even develop sooner. Of course, this is all speculation for now and timing of these 'events' will play a large role in how the pricing profile develops, but the point is there is some optimism heading into 2021. Lean hog futures remain choppy and two-sided and are trading mixed-to-lower in the early trade. Yesterday's gains were reversed in the early morning session but are starting to make a recovery as of this writing. Despite the optimism and the (non-exhaustive) list of bullish factors noted above, much of the conditions that would allow for sustained strength have yet to be proven or revealed. There is optimism today, but there is also a lot of uncertainty and, as mentioned, timing will be key.

**US soymeal futures opened higher this morning.** US soybean futures closed lower for the first time in four sessions yesterday and have only done so about 25% of the time since the middle of August. But the bullish sentiment in soybean futures continues and the market is once again higher and making way toward \$13.50 USD/bu (nearby contract). Fundamentals remain supportive and there are ideas managed money is also presently in the market.

**US corn futures opened higher this morning.** Ideas that reduced acreage estimates in South America could push demand to the USA are providing ongoing support to the US corn futures trade. The temporary corn export suspension in Argentina (a move aimed at curbing domestic food inflation) is also supportive. Corn futures have not yet closed above the psychological \$5.00 USD/bu level yet, but if the bullish sentiment continues and daily gains remain at the current pace, \$5 corn futures could be seen in the next session or two.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept
Maple Leaf Sig 4		153.77 156.71	153.73 159.61	161.64 167.54	164.83 176.14	178.62 186.99	183.91 187.44	178.15 188.54	160.64 169.45
Soymeal Del Wpg/S.Man	n/a								

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STRENGTH IN NUMBERS

