

Hog Margin Outlook

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Wednesday, January 6, 2021

For details call: (204)235-2237 or visit

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US Slaughter

489,000 Tuesday
497,000 Year Ago

Daily Prices

WCB \$53.85
National \$65.26
Nat'l Cutout Adj \$69.87
Signature 4 \$147.20
BP4/TCP4 \$147.20
HyLife Cash \$156.87
HyLife Cutout \$167.93

BoC Rate (Noon) prev. day
\$1.2707 CAD / \$0.7870 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 mixed this morning. Daily US cash markets are mixed mid-week with uncommitted hogs in the WCB coming in \$3.07 USD/cwt higher, National formula up \$2.98, and the National cutout-adjusted base \$0.12 lower relative to the previous day. A relatively 'soft start' in the value of the cutout in the early days of 2021 is a pressuring factor where a larger component of the cutout is used in price determination today. While lean hog futures closed lower in yesterday's session, the trade has nonetheless maintained levels that were reached following the rally that developed on New Year's Eve. Futures values are trading amid the October highs and the market appears to be attempting to define a new range in the present marketing conditions. There is no shortage of optimism considering the breeding herd has been estimated by the USDA to be lower than year ago, ideas that Covid-19 restrictions will be lifted at some point (spurring demand), historically low cold storage stocks, ongoing packer profitability, and continued strength in the export markets - tomorrow's weekly Export Sales report will be closely watched for follow-through commitments from China. But there are still some headwinds; new USA commitments from China have been inconsistent even though almost everyone agrees they still need a lot of pork from export markets, the (re)opening of the economy is still very uncertain, labour challenges persist at the plant level, and there is some question how quickly cold storage will be replenished. Packer owned hog weights remain high and there is still a lot of pork being processed too. The NYE rally has lifted futures levels to fair value and higher than cash benchmark prices in a historical sense. The optimistic producer might consider setting targets to achieve profitability goals, but present forward contract values in CAD/ckg are providing a hedging opportunity for unhedged producers. Post-Covid-19 lockdown speculative support is expected to develop in the futures at some point, but the timing of that 'event' is entirely up for debate and may also develop more organically as opposed to a swift rally.

US soymeal futures opened higher this morning. The nearby US soybean futures contract is within \$0.33 USD/bu. of the \$14.00 level as support continues and the tone in the trade is bullish and 'risk on'. Private analysts are now suggesting ending stocks could come in near 100 million bu. which would be the lowest level going back to at least 2010; 2012 and 2013 came in at 130 million and 150 million bu. in the December WASDE reports, respectively. The January WASDE report will be released next week.

US corn futures opened higher this morning. The front-month US corn futures contracts have traded above \$5.00 USD/bu this morning but are just shy of that benchmark as of this writing. While ethanol demand remains a concern for corn bulls, lowering production estimates for South America, a temporary export 'ban' for corn in Argentina, China demand speculation, and ongoing talk that managed money is 'in the trade' remains supportive.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4		150.55 155.51	149.27 157.60	157.60 166.35	163.09 175.47	177.94 186.27	183.09 186.72	177.20 187.55	159.43 168.20	156.53 159.45
Soymeal Del Wpg/S.Man	n/a									

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