

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 8, 2021

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**Forward contract prices opened mixed this morning.** Daily US cash markets are mixed to finish the first marketing week of 2021 but there is a bias higher to the reference prices used for price determination in Western Canada. The one not used (WCB) is \$0.11 USD/cwt lower relative to the previous day, but the National base is \$0.38 higher as is the National cutout-adjusted reference which is up by \$4.95. Weekly base prices used in price determination for week ending January 9 are also higher relative to week ago; National is up \$2.37, National cutout-adjusted is \$0.83 higher, and the USDA cutout-formula is also up \$1.40. A pattern of strength at the beginning the year has been observed in 2017 and 2018 before retracing into the spring run-up, but 2019 and 2020 both saw some earlier weakness in contrast. It is too early to tell what could develop as a trend this year, but if demand can outpace the large supplies that are still expected to come on relatively big slaughter levels and subsequent production estimates in the short term, support could hold for a while longer. The next few weeks will be telling but most analysts and market watchers are expecting some firmer competition further out especially if the estimated reductions in the breeding herd limit supplies. Lean hog futures are mixed after seeing some strength earlier in the week. The nearby contract is facing a bit more pressure than the others and the New Year's Eve rally has all but been completely reversed as of this writing. But the deferred contracts are faring better and the contracts past July 2021 closed at contract highs for three consecutive sessions by Thursday. The net result is forward contract levels that could be considered 'fair value' in the current marketing environment and may represent an opportunity for presently unhedged producers. The more optimistic/aggressive producer may opt to use a targeting strategy to secure potentially more value if the strength remains. While outlooks for 2021 are much better than how 2020 developed, especially in the summer timeframe, there is still a lot of uncertainty in the marketplace.

**US soymeal futures opened higher this morning.** After a 'down day' yesterday, US soybean futures continue to venture higher to end the week. In a refrain that is starting to sound repetitive, strong export demand outlooks, ongoing buying from China, and concerns on South American production due to dry weather are providing support not to mention early talk of drought in the USA. There is a risk on tone in the market and managed money has entered the trade as the funds build length to their positions. The Argentina plant and port strikes are now over, but the news has not been enough offset the bullish factors mentioned above.

**US corn futures opened lower this morning.** Like beans, US corn futures return to the upside after a session that closed lower on Thursday. An overall bullish tone remains in the trade although the deferred contracts are starting to back off a bit and there is increasing talk of a top developing. Traders are positioning themselves ahead of two big reports that come out next week which include the Quarterly Grain Stocks and the January WASDE report which will both be released on Tuesday January 12.

<b>US Slaughter</b>	
497,000	Thursday
499,000	Year Ago
<b>Daily Prices</b>	
WCB	\$51.92
National	\$65.95
Nat'l Cutout Adj	\$71.84
Signature 4	\$148.74
BP4/TCP4	\$148.74
HyLife Cash	\$157.69
HyLife Cutout	\$171.77
<b>BoC Rate (Noon) prev. day</b> \$1.2707 CAD / \$0.7870 USD	
<b>Cash Prices Week Ending</b> <b>January 9, 2021</b>	
Signature 4	147.11/66.73
h@ms Cash	145.11/65.82
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	143.07/64.90
OlyWest 2020	138.90/63.00
OlyWest 2021 (Cutout)	160.00/72.58
<b>2020 Top-Up (Estimated Final)</b> \$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	Oct
Maple Leaf Sig 4		145.76 150.72	147.34 155.69	155.69 164.45	162.42 175.39	177.88 186.22	183.64 186.68	177.79 188.15	159.81 168.60	157.08 160.01
Soymeal Del Wpg/S.Man	n/a									

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