

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 12, 2021

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

US Slaughter

498,000	Monday
496,000	Year Ago

Daily Prices

WCB	\$51.05
National	\$66.73
Nat'l Cutout Adj	\$74.23
Signature 4	\$151.47
BP4/TCP4	\$151.47
HyLife Cash	\$159.81
HyLife Cutout	\$177.78

BoC Rate (Noon) prev. day
\$1.2788 CAD / \$0.7820 USD

Cash Prices Week Ending

January 9, 2021

Signature 4	147.11/66.73
h@ms Cash	145.11/65.82
HyLife Cash	156.81/71.13
HyLife Cutout	169.94/77.08
BP4/TCP4	143.07/64.90
OlyWest 2020	138.90/63.00
OlyWest 2021 (Cutout)	160.00/72.58

2020 Top-Up (Estimated Final)

\$17.16 CAD/ckg

ISO Weans \$51.58 US Avg.

Feeder Pigs \$68.80 US Avg.

Forward contract prices opened higher this morning. Daily US cash markets are mixed with the negotiated region giving up all the previous day's gains, and then some, coming in \$2.42 USD/cwt lower relative to the previous day. The formula regions continue to track higher with National up \$0.42, and the National cut-out-adjusted base price \$1.33 higher. Due to the way price discovery is conducted in Red Deer, the USDA cutout-formula base has been calculated for week ending January 16 and is \$3.56 higher than week-ago and just slightly higher than the three-year average for the respective marketing week (+1%). On that note, when we compare averages here, we will not be using 2020 in the calculation for the remainder of the year and indeed may skip 2020 in further analysis altogether, especially over the summer and fall timeframes as its inclusion skews the numbers too wildly. Lean hog futures are mixed; the early morning trade saw initial strength, almost immediately backed off, but is trading higher as of this writing. Present values have held over the past four sessions where prices are amid the October highs (but not at the highest levels) and futures are approximately 7% higher than cash average benchmarks representing fair value for the unhedged producer. Supportive factors include a depleted pipeline, historically low cold storage stocks, and a breeding herd that is 3% below year ago levels. Additional support *could* develop once vaccines are rolled out and domestic demand improves, or at least, that the futures market thinks demand will improve. In this sense, rallies, to the extent they materialize, would be considered hedging opportunities and setting targets could net extra value than presently offered if the conditions that allow for additional support develop.

US soymeal futures opened higher this morning. US soybean futures are higher ahead of today's WASDE report which is expected to show ending stocks amid record lows going back to 2010. The 139 million bu. average estimate is not the lowest on record for the January report (2013 was lower at 135 million bu.) but it is only 4 million bu higher than the record low and significantly lower than the 443 million bu. average seen over the past six consecutive years. The WASDE report will be released at 12:00 noon, Eastern time.

US corn futures opened higher this morning. US corn futures are likewise higher ahead of the January WASDE report as traders make last minute adjustments to their positions. Like beans, ending stocks of US corn are also expected to be both lower than month- and year-ago, but not nearly to the same degree as expected in beans. Relative to last month, ending stocks are expected to drop by 103 million bu, but the 1.599 billion bu. estimate is statistically equal with the average stocks for the January report going back to 2010.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4		146.18 147.54	148.11 156.49	156.49 165.22	163.18 176.02	178.51 186.89	185.43 187.34	180.51 190.93	162.71 171.55	159.64 162.59
Soymeal Del Wpg/S.Man	n/a									

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STRENGTH IN NUMBERS

