

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 14, 2021

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

US Slaughter

498,000	Wednesday
497,000	Year Ago

Daily Prices

WCB	\$55.22
National	\$68.31
Nat'l Cutout Adj	\$70.32
Signature 4	\$154.10
BP4/TCP4	\$154.10
HyLife Cash	\$164.12
HyLife Cutout	\$168.95

BoC Rate (Noon) prev. day
\$1.2710 CAD / \$0.7868 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 mixed this morning. Daily US cash prices are once again mixed with the negotiated WCB and National regions up \$0.78 and \$0.68 USD/cwt, respectively. The National cutout-adjusted reference price is down \$0.95 on some daily weakness in the value of the carcass led by the ever-so-volatile belly primal which was \$15.24 lower relative to the previous day. The net value of the carcass is still in the upper range of the historical trend for this marketing week, however, so daily pricing variability has only had a relatively modest impact. Furthermore, all price regions are still trending higher compared to week-ago and while the WCB is 7% lower than the historical average today (not including 2020 in the average), National, National cutout-adjusted, and the USDA cutout-formula are all higher than the average benchmark. Lean hog futures are lower this morning and likely reacting to this morning's weekly Export Sales report that was published before the futures market opened. While physical deliveries remain comparatively good at 30,008 MT (65% higher than the five-year average and 12% higher than year ago), the volume is unsurprising considering the relatively high outstanding volumes waiting to be shipped. The futures market typically reacts more to the new net sales number which at 23,782 MT is 65% lower than the five-year average and significantly lower than 2020 volume which was inflated last year; China did not show up on the new net sales highlights for the reporting period. Today's numbers do not yet represent a trend and it is very early in the year to be making projections on Chinese activity. But it is widely thought China is aggressively attempting to rebuild its hog herd after the worst of ASF (and amid its ongoing presence) although China typically diversifies its supply chain as well. In any event, the market is not selling off per se, and forward contract values in CAD/ckg are considered fair value in the present marketing environment. At the base level, futures values are 8% higher than average cash settlement benchmarks (again excluding 2020) as of this writing.

US soymeal futures opened higher this morning. China continues to lead in new net sales commitments taking 785,300 MT of the weekly 908,000 MT for week ending January 7 according to this morning's weekly Export Sales report. Physical deliveries remain comparatively high coming in at 2.040 MMT with China again taking the lion's share; physical shipments have not fallen below 2.0 MMT since the beginning of October except for the last week of 2020 which at 1.857 MMT was still a marketing week high.

US corn futures opened higher this morning. Physical deliveries of US corn for export came in at 1.464 MMT and notably higher than the five-year average for the first week of the year. China officially only took delivery of 88,500 MT, but there was an additional 334,500 MT to 'unknown destinations' and China is often in that category. New net sales of 1.437 MMT were another high-water mark for the first week in the new year but if they remain at the present pace, it will approximate 2018 where over 1 million and often near 2 million metric tonnes were consistently recorded from the second week of the new year well into March.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4		140.84 142.19	145.23 153.54	153.54 162.36	160.34 176.12	178.59 186.91	186.01 187.59	181.36 191.70	164.61 173.38	161.85 164.78
Soymeal Del Wpg/S.Man	n/a									

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h@ms Marketing Risk Management will be closed

Monday, January 18 for Martin Luther King Day in the USA - Markets are closed.

Forward contracting will be suspended and no price information will be available/published.

Normal business resumes on Tuesday, January 19. The regular office will be open on Monday.