

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 15, 2021

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

US Slaughter

497,000	Thursday
498,000	Year Ago

Daily Prices

WCB	\$54.51
National	\$68.30
Nat'l Cutout Adj	\$72.50
Signature 4	\$153.41
BP4/TCP4	\$153.41
HyLife Cash	\$163.63
HyLife Cutout	\$173.69

BoC Rate (Noon) prev. day
\$1.2654 CAD / \$0.7902 USD

Cash Prices Week Ending

January 16, 2021

Signature 4	152.31/69.09
h@ms Cash	150.31/68.18
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	147.11/66.73
OlyWest 2020	145.40/65.95
OlyWest 2021 (Cutout)	165.00/74.84

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 down \$0.71 USD/cwt, National lower by a penny, and the National cutout-adjusted price higher by \$2.18. Some daily strength returning to the net value of the carcass, led by the ever-volatile belly primal - which recovered from the previous day's \$15.24 move lower - came in \$16.12 higher in yesterday's report and is providing extra value to base prices using a larger component of cutout in their price discovery. Despite the variability, cash prices remain in an upward trend and weekly base prices in USD/cwt for week ending January 16 are up by \$1.59, \$2.25, and \$3.56 for the WCB, National, and USDA cutout-formula, respectively; when the National cutout-adjusted base is determined later today, it will also be higher by approximately \$1.75. Lean hog futures opened lower following the 'down day' in yesterday's session. However, the market is levelling off as of this writing with the three front-month contracts trading higher while the deferreds are under some pressure. Interestingly enough, the deferred contracts have been the ones primarily responsible for the incremental increases in forward contract blended pricing in recent days. The August contract for example, has been on a steady tack higher since the middle of December and represents an approximate 11% premium relative to historical cash benchmarks; the October contract has mirrored the trend as well and is at a 15% premium this morning. A blended average reveals future base prices are at an 8% premium relative to benchmarks representing a fair value hedging opportunity in very uncertain times. A depleted pork pipeline, low cold storage inventories, and ideas that a reduced breeding herd could limit supplies are providing underlying support; large slaughter levels, a lot of pork production (despite moderating producer-owned weights), and an uncertain US domestic demand profile amid a 'Covid-19 economy' are keeping the upside in check.

US soymeal futures opened lower this morning. The US soybean futures market is consolidating at present levels with the three front-month contracts trading above \$14.00 USD/bu for the fourth consecutive session in a row if the present levels hold. Soybean futures rallied on Tuesday after the January WASDE report was released but the momentum appears to have subsided for now with both supply and demand side expectations priced in for now.

US corn futures opened lower this morning. Like beans, US corn futures are also trading lower this morning, but prices are not low per se. US corn futures locked limit up following the release of Tuesday's WASDE report and the follow-through buying continued until this morning. The nearby contracts have closed above \$5.00 USD/bu since Tuesday with no bearish news on the horizon.

Reminder that markets will be closed on Monday for Martin Luther King Day in the USA.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4		143.60 144.96	145.98 154.35	154.35 163.18	161.15 175.79	178.28 186.66	186.55 188.13	181.86 192.28	164.70 173.53	161.63 164.58
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.