

# Hog Margin Outlook

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Tuesday, January 19, 2021

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## US Slaughter

2.654 mil	Last Week
2.496 mil.	Year Ago

## Daily Prices

WCB	\$53.45
National	\$67.31
Nat'l Cutout Adj	\$70.67
Signature 4	\$152.47
BP4/TCP4	\$152.47
HyLife Cash	\$161.48
HyLife Cutout	\$169.54

**BoC Rate (Noon) prev. day**  
\$1.2762 CAD / \$0.7836 USD

## Cash Prices Week Ending

January 16, 2021

Signature 4	152.31/69.09
h@ms Cash	150.31/68.18
HyLife Cash	162.33/73.63
HyLife Cutout	172.82/78.39
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 \$55.60 US Avg.

Feeder Pigs \$65.12 US Avg.

**Forward contract prices opened lower this morning.** Compared to last Friday (due to the federal holiday in the USA yesterday), US cash markets are lower to start the holiday-shortened week. The negotiated WCB region is down \$1.06 USD/cwt, National is \$0.99 lower, and the National cutout-adjusted reference price is down \$1.83. However, there has been some daily variability in cash markets and the \*weekly\* trend has been steady-to-higher to start 2021. As well, formula base pricing generally is performing better than historical averages with the National and National cutout-adjusted daily prices both 2% higher than benchmarks while the USDA cutout-formula weekly price for week ending January 23 has already been determined at \$70.03 and is 3% higher than the three-year average (excluding 2020). If seasonal trends hold, regional base pricing could hover around the high \$60 USD/cwt mark until the spring run-up, all else equal, and assuming no major marketing shock takes place between now and the middle of April. Lean hog futures opened lower on the first trading day of the week this morning, likely pricing in some news that developed on Monday where data on the estimates of China's 2020 domestic pork output, while still lower than year ago by some 3.3%, was not as low as analysts and market watchers anticipated which was ranging between 5% and 10% lower. China data is always viewed with some skepticism, but the numbers have been published as official, nonetheless. To be clear, China is not yet out of the woods regarding ASF and there is anecdotal evidence the rebuilding efforts are not going completely smoothly. Put another way, China will likely continue sourcing pork and other protein in the global markets for a while and one 'down day' in the market after a news item does not necessarily set a trend. In the meantime, futures contracts from April 2021 to October 2021 are pricing in a bit of optimism and are 7% higher than comparable cash averages when 'blended' despite this morning's weakness.

**US soymeal futures opened lower this morning.** All US soybean futures are presently trading under \$14.00 USD/bu as the market appears to be entering a period of consolidation. Fundamentals are still bullish and managed money is still in the trade at historically high levels for this time of year, but some analysts are calling the trade 'toppy' from a technical standpoint and managed money is not as prominent as in October (i.e., the speculators are less speculative compared to a few months ago but still very bullish). A rationing level has not yet been reached and the strength is expected to be present for some time.

**US corn futures opened lower this morning.** US corn continues the second consecutive session lower as of this writing where, like beans, the market appears to be consolidating for now. Managed money is much more bullish on US corn where the net long position is currently at record levels. This is despite the much more positive balance sheet that sees US corn ending stocks presently estimated near the 10-year average.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4		142.72	145.67 154.04	154.04 162.85	160.81 175.25	177.74 186.12	185.08 186.66	180.11 190.50	163.22 172.03	160.83 163.78
Soymeal Del Wpg/S.Man	n/a									

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STRENGTH IN NUMBERS

