

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 20, 2021

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Forward contract prices opened lower this morning. US cash markets are mixed with the negotiated WCB continuing to see daily support and coming in \$1.32 USD/cwt. higher relative to the previous day. The National reporting region was calculated at \$67.31 and revealed no daily change which is somewhat odd from a price discovery perspective due to the variables in play, but not impossible. The National cutout-adjusted base price was \$0.99 lower as the value of the carcass sees some daily pressure. Cutout values are near the middle of the range for this marketing week so far but bellies and hams, which make up about 41% of the value of the carcass, have seen some daily volatility and when they are both down, as they were yesterday, they oftentimes offset gains in the other primals for a net negative change on the day. As well, bellies have swung by double digits and the relatively large \$8.52 move lower in hams yesterday more than offset the more modest gains seen in loins, butts, picnics, and ribs. Lean hog futures started the session off on a lower note but have completely reversed course and are trading higher as of this writing. The support appears to be technical in nature as the fundamental picture has not changed and the minute-based charts ventured into oversold territory at the end of yesterday's session, setting up for a recovery today. Charts are now revealing the April contract has now swung to overbought territory, setting up for a levelling off which is what is being witnessed presently. The net result is a futures market that continues to trade in a sideways pattern but at 'fair value' levels relatively speaking; a 'down day' has been followed by an 'up day' in the past four sessions. If values break past the 'highs' seen last Friday, another leg up could be in the works, but if the technicals hold, the market may merely be carving out a new range until the news changes. The weekly Export Sales report normally released on Thursdays will be delayed until Friday due to Monday's national holiday.

US soymeal futures opened lower this morning. Market watchers and analysts have been talking about a correction in the soybean futures trade recently and it appears that the correction may be taking place. Bean futures still reside amid the highs and the front four contracts are still trading above \$13.00 USD/bu as of this writing, but the market is now entering its third consecutive 'down day' in a row in a move many pundits have been anticipating.

US corn futures opened lower this morning. Like beans, US corn futures are trading lower for the third consecutive session in a move that hasn't seen three consecutive 'down days' since late October. Also like beans, market watchers have been calling for a correction in the US corn futures but where the correction lands remains to be seen. The front three contracts appear to be holding at levels above \$5.00 US/bu. which was reached after the WASDE report was released on January 12.

US Slaughter	
498,000	Tuesday
496,000	Year Ago
Daily Prices	
WCB	\$54.77
National	\$67.31
Nat'l Cutout Adj	\$69.68
Signature 4	\$152.15
BP4/TCP4	\$152.15
HyLife Cash	\$164.61
HyLife Cutout	\$167.62
BoC Rate (Noon) prev. day \$1.2735 CAD / \$0.7852 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.	

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4		142.93	145.35 153.63	153.63 162.43	160.42 173.86	176.33 184.62	183.76 185.33	179.06 189.36	162.93 171.67	160.83 163.76
Soymeal Del Wpg/S.Man	n/a									

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