

Hog Margin Outlook

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Monday, January 25, 2021

For details call: (204)235-2237 or visit
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US Slaughter

2.738 mil.	Last Week
2.707 mil.	Year Ago

Daily Prices

WCB	\$55.07
National	\$67.95
Nat'l Cutout Adj	\$74.55
Signature 4	\$153.37
BP4/TCP4	\$153.37
HyLife Cash	\$161.74
HyLife Cutout	\$177.44

BoC Rate (Noon) prev. day
\$1.2716 CAD / \$0.7864 USD

Cash Prices Week Ending January 23, 2021

Signature 4	152.94/69.37
h@ms Cash	150.94/68.47
HyLife Cash	162.63/73.77
HyLife Cutout	171.53/77.81
BP4/TCP4	152.31/69.09
OlyWest 2020	150.50/68.27
OlyWest 2021 (Cutout)	169.00/76.66

2020 Top-Up (Estimated Final)

\$17.16 CAD/ckg

ISO Weans \$52.37 US Avg.

Feeder Pigs \$70.33 US Avg.

Forward contract prices opened higher this morning. Daily US cash prices are mixed to start the week with WCB \$0.98 USD/cwt lower, National \$0.03 higher and the National cutout-adjusted base price up \$2.32 relative to the previous day. Daily net value of the carcass was higher on Friday ultimately providing support to cutout-based pricing due to its sensitivity to moves in the net primal values; conversely, cutout-based prices also will weaken when the cutout moves lower. So far, all regions used in Western Canadian price discovery are trending higher to start 2021 and outperforming the three-year average over comparable timeframes. The exception is the WCB which is not used in price discovery - the region is trending higher, but it is lower than the benchmarks so far. Weekly slaughter levels came in at 2.738 million head and 1.1% higher than year ago which is remarkable considering labour challenges and Covid-19 plant protocols are limiting processing speeds. The net result is a lot of pork production but also a steady demand from the packers even if they aren't bidding aggressively today per se. Prices would likely be supported further if plant operations were back to 'normal'. Lean hog futures are choppy to start the first session of the week and individual contracts have been mixed all morning. There is some news circulating that could be supportive further out including a resumption of ASF spread in China per official sources (first official case reported in about three months) as well as ideas that a new strain of ASF is starting to make the rounds in China linked to an illegal ASF vaccine. In terms of the first issue, almost no one believed that ASF had been eradicated in China, so the market likely has ongoing ASF events priced in for now. But the new ASF strain news may bring in bullish speculators on decreased Chinese pork production outlooks especially if it proves to be problematic.

US soybean futures opened higher this morning. After five straight session of closing lower last week, US soybean futures have found some support and are higher this morning. The reason for last week's move has been attributed to managed money repositioning when the funds started to liquidate positions. It is a reminder that not only producers, food processors, and other food-related industries have influence in the market. Fundamentals remain bullish and prices are not expected to drop substantially.

US corn futures opened higher this morning. Like beans, the US corn futures trade moved lower for most of last week and is just finding some support this morning after a lower trend that started January 15. Also like beans, the pressure was due to managed money selling amid a market that has been supportive since the middle of August. There is likely no reason for a new trend lower, however. US corn futures out to July 2021 are still trading above \$5.00 USD/cwt and the sell off last week merely brought levels down to values at the lower end of the January 12, WASDE report run up.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
Maple Leaf Sig 4			156.34 164.25	164.25 171.52	169.04 180.57	182.83 190.51	187.26 190.96	181.62 191.09	164.82 172.94	162.19 164.45
Soymeal Del Wpg/S.Man	n/a									

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Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

STRENGTH IN NUMBERS

