

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 27, 2021

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## US Slaughter

455,000 Tuesday  
493,000 Year Ago

## Daily Prices

WCB	\$56.86
National	\$69.39
Nat'l Cutout Adj	\$72.84
Signature 4	\$156.44
BP4/TCP4	\$156.44
HyLife Cash	\$166.60
HyLife Cutout	\$174.89

**BoC Rate (Noon) prev. day**  
\$1.2702 CAD / \$0.7873 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 markets are mixed mid-week and while they are continuing a seesawing pattern that has been a feature of the cash markets for weeks, they are also maintaining an upward trend. The WCB region is up \$2.27 USD/cwt, the National region is \$1.05 higher, while the National cutout-adjusted reference is \$1.07 lower relative to the previous day. If the trend remains, base pricing in USD/cwt for week ending January 30 will likely come in higher than week ago. Despite post-holiday demand weakness, a supportive tone is also revealed in the three-year average which oftentimes sees a steady-to-slightly-higher trendline until the end of February/beginning of March. Individual years, of course, can vary greatly, but seeing some price support at the beginning of the year is not unusual; on the other hand, years like 2015 and 2019 saw cash prices drop decisively until the spring run-up. Lean hog futures are starting the session off in a choppy pattern and are mixed as of this writing but due to yesterday's overall strength, prices are higher at the open. Ongoing positive demand outlooks and a general sense of optimism at a more return to normal (economy-wise) after vaccines in the USA are rolled out are underpinning the supportive tone. All contracts from April 2021 forward are now at levels beyond the October 'highs' with a 'nine-month' blended futures in USD/cwt outperforming its cash counterpart by approximately 13%. When converted to CAD/ckg, Western Canadian forward contract values are considered fair value and represent a good hedging opportunity for active risk managers.

**US soymeal futures opened higher this morning.** Some market watchers and analysts are calling this week's two sessions of strength (that followed the previous managed money liquidation) an 'second attempt' to ration demand. The USA balance sheet is extremely tight and even though Brazil is poised to produce a lot of beans (despite ongoing weather challenges), the voracious appetite of China for import beans will likely minimize South American harvest pressure this year.

**US corn futures opened higher this morning.** Record Chinese ethanol imports are ongoing demand for US corn generally is supporting US corn futures following the managed money sell off last week. Like beans, strong demand for US corn is expected in the export markets with traditional buying activity being augmented by 'new' interest from China.

FC Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
Maple Leaf Sig 4			157.19 165.13	165.13 172.34	170.53 182.32	184.59 192.30	190.04 192.75	183.73 193.26	166.56 174.73	163.82 166.08	151.61 160.23
Soymeal Del Wpg/S.Man	n/a										

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STRENGTH IN NUMBERS

