

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 1, 2021

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

US Slaughter

2.658 mil.	Last Week
2.696 mil.	Year Ago

Daily Prices

WCB	\$57.76
National	\$69.94
Nat'l Cutout Adj	\$76.82
Daily Cutout	\$85.36
Signature 4	\$158.65
BP4/TCP4	\$158.65
HyLife Cash	\$168.87
HyLife Cutout	\$185.51

BoC Rate (Noon) prev. day
\$1.2780 CAD / \$0.7825 USD

Cash Prices Week Ending

January 30, 2021

Signature 4	156.14/70.82
h@ms Cash	154.14/69.92
HyLife Cash	166.77/75.65
HyLife Cutout	178.66/81.04
BP4/TCP4	152.94/69.37
OlyWest 2020	149.40/67.77
OlyWest 2021 (Cutout)	168.30/76.34

ISO Weans \$54.41 US Avg.

Feeder Pigs \$67.76 US Avg.

Forward contract prices opened higher this morning. Daily US cash markets are starting marketing week of 2021 mixed with the WCB \$0.31 USD/cwt lower, National up \$0.17, and the National cutout-adjusted base \$1.68 higher relative to the previous day. If daily cash values used in Western Canadian price discovery remain on the current path, weekly prices for week ending February 6 could see a continuation of the trend that has been in place since the beginning of the year which is to say steadily higher. While the marketing environment to start 2021 is optimistic, a move higher in cash markets is not unusual. Except for the lower move in 2015 (which was a function of a post-PEDv marketing environment), all recent years have witnessed higher trends at the beginning of the year and like this year, both 2017 and 2018 were higher than three-year average benchmarks. What is also normal, however, is some softness developing near the end of February before the spring run-up, but this year could be different especially if the economic conditions in the USA return more to normal and post-Covid demand develops at the same time supply tightness due to a reduction in the breeding herd materializes. In the meantime, slaughter levels remain high and last week saw an estimated 2.738 million head processed which is 1.5% higher than year ago and maintaining the generally higher levels that have been seen since the beginning of the year. Lean hog futures remain amid the recent highs but have appeared to be unable to generate follow-through interest past current levels. While futures are mixed this morning (some higher, some lower in the early session), upper technical levels are limiting further upside for now. 'Tops' in the futures were reached on January 26 and the trade has generally moved in a sideways pattern since. Most news events are priced in for now, and all else equal, the trade will be looking to the Thursday export sales report for more clues on direction.

US soymeal futures opened lower this morning. US soybean futures are backing off this morning in a pattern that has seen an 'up day' followed by a 'down day' over the past four sessions. Prices remain high, however, and will likely remain so for the foreseeable future as export demand remains robust and harvest delays in Brazil are supportive. Also supportive could be the Brazil truckers' strike that started today, February 1, but the market has not reacted much to that event today – it may take some time for those impacts, if any, to 'bite'.

US corn futures opened lower this morning. Like beans, US corn futures are trading lower as of this writing but unlike beans, US corn reached new closing highs on Friday and are maintaining present levels. Contracts out to July 2021 are trading above \$5.00 USD/bu. Strong export demand, notably from China who is typically not a big importer of US corn, is underpinning the support. The balance sheet for US corn is not nearly as tight as seen in beans, but there is some tightness as well as concerns further out while Brazil harvest is 'behind' and second crop Safrinha corn is also late.

Forward Range
(at opening)

Mar

Apr

May

Jun

Jul

Aug

Sept

Oct

Nov

Maple Leaf
Sig 4

159.40
164.63

164.63
171.92

170.11
181.76

184.04
191.76

189.20
192.22

183.97
193.52

167.15
175.33

164.27
166.54

152.23
160.86

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STRENGTH IN NUMBERS

