

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 5, 2021

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

US Slaughter

466,000	Thursday
492,000	Year Ago

Daily Prices

WCB	\$64.23
National	\$71.40
Nat'l Cutout Adj	\$77.25
Daily Cutout	\$85.83

Signature 4	\$162.57
BP4/TCP4	\$162.57
HyLife Cash	\$172.03
HyLife Cutout	\$186.13

BoC Rate (Noon) prev. day
\$1.2828 CAD / \$0.7795 USD

Cash Prices Week Ending

February 6, 2021

Signature 4	161.01/73.03
h@ms Cash	159.01/72.13
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	156.14/70.82
OlyWest 2020	155.10/70.35
OlyWest 2021 (Cutout)	174.50/79.15

ISO Weans \$54.41 US Avg.

Feeder Pigs \$67.76 US Avg.

Forward contract prices opened mixed this morning. Daily US cash markets are mixed to end the week with the WCB 'backing off' \$1.44 USD/cwt after an impressive previous two days of strength in the negotiated market. The National region is finishing \$0.35 higher while the National cutout-adjusted reference price is up \$5.04 on some daily strength in hams and bellies which were \$16.37 and \$10.05 higher, respectively, relative to the previous day and influencing a net positive change in the daily value of the carcass. Base prices for week ending February 6 were not all higher in all regions relative to the previous week but values are still holding. The National cutout-adjusted reference was only down \$0.13 while the WCB, National, and USDA cutout-formula bases were up \$4.98, \$1.83, and \$2.19, respectively. Of note, while prices are relatively good today amid some optimism, 2018 National-based prices were higher by way of comparison; the present strength is not unprecedented in recent memory. What will be telling will be how a reopening of the US economy is timed with an expected reduction in supplies due to a smaller breeding herd. Cash markets typically back off after Easter and before the spring run-up as a trend and it will be interesting to see if the pattern is mirrored this year. Lean hog futures are modestly higher across all contracts relative to the previous session, but values are at highs for all contracts presently offered. Technically speaking, the market is a bit 'toppy' and overbought, and further upside will likely be contingent on 'additional' bullish fundamental news events. With a 15% premium currently built into the futures compared to average cash histories, and only 5% off the 2019 highs (from summer to the remainder of the year), it could be argued the pending economic recovery, potential supply tightness, and export expectations are already 'priced in'.

US soymeal futures opened higher this morning. The nearby US soybean futures contract has been trading in a relatively tight range since early last week, and while it is flirting once again with the \$14.00 USD/bu mark, that level hasn't been seen since January 19. Next week, the USDA will release the February WASDE report and while the expectation is for ending stocks to be historically low, there is talk investors are less willing to take on new risk today in case the USDA takes a more conservative approach on Tuesday.

US corn futures opened mixed this morning. Like beans, US corn futures are consolidating at current levels and trading in a relatively tight range when compared to the limit (or near-limit) moves seen over the past couple weeks. While at contract highs, the daily trade has been volatile at times. Volatility is expected to be tempered today and Monday before the release of the February WASDE report next week.

Forward Range
(at opening)

	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
Maple Leaf Sig 4	165.88 171.10	171.10 178.40	173.52 185.09	187.36 195.07	192.92 195.53	187.08 196.63	169.86 178.04	166.87 169.14	153.60 162.22

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STRENGTH IN NUMBERS

