

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 8, 2021

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

US Slaughter

2.691 mil Last Week
2.672 mil. Year Ago

Daily Prices

WCB	\$63.21
National	\$71.69
Nat'l Cutout Adj	\$75.76
Daily Cutout	\$84.18
Signature 4	\$162.58
BP4/TCP4	\$162.58
HyLife Cash	\$173.34
HyLife Cutout	\$183.20

BoC Rate (Noon) prev. day
\$1.2777 CAD / \$0.7827 USD

Cash Prices Week Ending

February 6, 2021

Signature 4	161.01/73.03
h@ms Cash	159.01/72.13
HyLife Cash	171.85/77.95
HyLife Cutout	179.89/81.60
BP4/TCP4	156.14/70.82
OlyWest 2020	155.10/70.35
OlyWest 2021 (Cutout)	174.50/79.15

ISO Weans \$55.47 US Avg.

Feeder Pigs \$74.76 US Avg.

Forward contract prices opened mixed this morning. US cash markets are mixed to start marketing week six with WCB down \$1.02 USD/cwt, National up \$0.29, and the cutout-adjusted variant \$1.49 lower relative to the previous day; daily cash trends remain biased higher but not unprecedented. Despite some daily seesawing in the value of the primals, net cutout value remains amid the highs for this time of year and is at the third highest level going back to when the USDA started reporting on the cutout in this way (2013). Of note, hams (making up approximately 25% of the value of the carcass by itself), is tracking very close to 2014 prices which were historically high. The weekly average value of hams was less than 1% higher than the previous week, but at \$71.79 US/cwt, hams are only 2.8% lower than the 2014 value for week ending February 6 and 26.4% higher than the five-year average. Weekly slaughter came in at 2.691 million head which was 0.7% higher than year ago before Covid-19 related plant shutdowns materialized. Saturday processing was estimated at 291,000 head, also about at the same level as year ago, but notably higher than the average normally seen at this time of year which is about 176,000 head. Both 2019 and 2020 saw Saturday kills among these levels too but swiftly moved lower in subsequent weeks until the beginning of March. It will be interesting to see if a similar pattern develops this year. Lean hog futures are maintaining the highs but significant follow-through buying appears to have subsided for now. The futures market remains optimistic on post-Covid-19 demand recovery and some potential supply constraints noting the reduction in breeding herd estimates. Futures values when benchmarked against cash settlement base prices (National region) are 16% higher when blended from April to December 2021.

US soymeal futures opened higher this morning. US soybean futures are once again making a run at \$14.00 USD/bu (nearby contract) and are starting the week off on a higher note. Tomorrow, the USDA will release the February WASDE report mid-trade and analysts estimates ahead of the report are calling for another reduction to soybean ending stocks (on average) from the USDA's 140 million bu estimate in January to 123 million bu for February.

US corn futures opened higher this morning. Like beans, US corn futures are also higher to start the week one day ahead of the WASDE report. Analysts are also expecting a reduction in corn ending stocks which, if realized, would push the February estimate below the 10-year average. The January report pegged ending stocks of US corn at 1.552 billion bu. and expectations for February are estimated at 1.392 billion bu against a 1.108 billion to 1.515 billion bu range. Of note, event the upper bound is still lower than the previous month.

Forward Range
(at opening)

	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
Maple Leaf Sig 4	170.54 172.45	172.45 179.71	174.57 186.11	188.37 196.06	193.34 196.52	186.90 196.40	169.56 177.70	166.82 169.08	153.37 161.96

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STRENGTH IN NUMBERS

