

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 10, 2021

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Forward contract prices opened mixed this morning. Daily US cash prices continue to push higher with the WCB making notable gains over Monday (prices were not report due to confidentiality for the Tuesday construction) and coming in \$2.80 USD/cwt higher. The National and the National cutout -adjusted variants were up by \$1.03 and \$0.44 respectively. All regions are now pricing in values between 3% and 9% higher than the historical weekly average prices for this marketing week, but as previously noted, these levels are not unprecedented. Pricing was higher in 2017 and 2018 in both the WCB and National regions; historical pricing for references using a higher proportion of the cutout in price discovery are tracking, more or less, along the 2017 profile. Also of note, in 2018 prices started to back off 'next week' while in 2017 that didn't happen for another two weeks. In all periods observed, price softness developed into the middle of April on average. While the marketing environment is much different than in either 2017 or 2018, some of those seasonal supply and demand relationships are still at play. Lean hog futures are mixed at the open, but the nearby contracts are showing strength this morning. Ongoing outlooks regarding strong export demand and a story developing 'overnight' that Hong Kong has euthanized hogs due to a local ASF case is providing initial support. For yesterday's WASDE report, the USDA wrote "Pork production is raised on higher expected hog slaughter as well as heavier carcass weights in the first half of the year" (USDA, WASDE-609-4, February 9, 2021). So far, the market is not pricing in abundant supplies and futures values remain at elevated levels.

US soymeal futures opened lower this morning. Little changes relative to expectations in yesterday's WASDE report is likely behind the softness seen in the US soybean futures market this morning. Ending stocks estimates are still considered bullish at 120 million bu., but the number was only nominally lower than the average pre-report guess (123 million bu.).

US corn futures opened lower this morning. Like beans, US corn futures are correcting lower after yesterday's WASDE report revealed little in terms of surprises. Relative to pre-report expectations, corn ending stocks on the February report could be considered bearish as the 1.502 billion bu estimate came in near the upper end of the pre-report range (1.515 billion bu.) and 113 million bu. higher than the 1.392 billion bu estimate.

US Slaughter	
494,000	Tuesday
492,000	Year Ago
Daily Prices	
WCB	\$66.01
National	\$73.31
Nat'l Cutout Adj	\$76.82
Daily Cutout	\$85.36
Signature 4	\$165.50
BP4/TCP4	\$165.50
HyLife Cash	\$176.22
HyLife Cutout	\$184.68
BoC Rate (Noon) prev. day \$1.2719 CAD / \$0.7862 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 Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov
Maple Leaf Sig 4	173.96 175.76	175.76 182.89	175.76 187.24	189.49 197.14	194.71 197.59	187.85 197.30	169.39 177.49	166.62 168.87	152.56 161.11

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