

Hog Margin Outlook

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Wednesday, February 17, 2021

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Forward contract prices opened mixed this morning. Daily US cash markets are mixed with the negotiated WCB region up \$1.11 USD/cwt, National \$0.90 higher, and the National cutout-adjusted reference lower by \$1.39. Some daily variability in the ham and belly primals led the net value of the carcass lower for a \$1.55 move downward relative to the previous day, but the overall value of the cutout is still among the highs, coming in only second to 2014 so far for the same marketing week. Cutout strength is expected to be maintained and while the market will have to wait for the next cold storage report that comes out on February 23, there is already anecdotal evidence and talk that freezer stocks are starting to be rebuilt a little more aggressively than in recent months. Lean hog futures are mixed to start today's session, but the trade has typically biased higher since the middle of January and almost completely consistently since the beginning of February. Generally, futures have been overbought since February 6 (normally an indicator of a correction), but futures have pushed higher on a looming supply tightening and continued expectations of ongoing demand strength in all channels. The market has lost a bit of steam this morning and does not have the same bullish tone as it has in recent days, but the highs are still in place. The net result is a futures market that is approximately 20% higher than cash benchmarks (National region, when April to December are averaged) representing good value relative to recent history.

US soybean futures opened lower this morning. The nearby US soybean futures contract is consolidating within technical bounds that could lead to a breakout of the pattern either higher or lower. In the case of beans, the likely scenario is to see ongoing strength and/or at least as sideways pattern as the balance sheet remains tight and demand remains strong. The consensus is for large acreage to be planted in the USA this year and for prices to remain high in the interim all else equal.

US corn futures opened lower this morning. Like beans, US corn futures are having a 'down day' but still residing amid the highs. The Lunar New Year holiday ends in China on Thursday and the market will be waiting to see if new commitments to US corn resumes when normal business resumes. Thursday's Export Sales report will be watched for clues on direction, but the report is 'lagged' by one-week (reporting for the week ending the previous Thursday).

US Slaughter	
419,000	Tuesday
491,000	Year Ago
Daily Prices	
WCB	\$69.86
National	\$77.30
Nat'l Cutout Adj	\$80.74
Daily Cutout	\$89.71
Signature 4	\$174.03
BP4/TCP4	\$174.03
HyLife Cash	\$185.21
HyLife Cutout	\$193.45
BoC Rate (Noon) prev. day \$1.2684 CAD / \$0.7884 USD	
Cash Prices Week Ending February 13, 2021	
Signature 4	165.06/74.87
h@ms Cash	163.06/73.96
HyLife Cash	176.26/79.95
HyLife Cutout	186.85/84.75
BP4/TCP4	161.01/73.03
OlyWest 2020	159.60/72.39
OlyWest 2021 (Cutout)	177.40/80.47
ISO Weans \$53.87 US Avg.	
Feeder Pigs \$77.78 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Maple Leaf Sig 4	187.62 190.78	182.49 192.89	194.24 201.93	197.03 202.38	190.05 199.50	170.81 178.91	168.84 171.10	155.84 163.52	156.74 158.55

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Some Important Phone Numbers
Main Office: 204-233-4991
Toll Free: 1-800-899-7675
Logistics: 204-235-2225
Risk Management: 204-235-2237

STRENGTH IN NUMBERS

