

Hog Margin Outlook

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Friday, February 26, 2021

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Forward contract prices opened higher this morning. Daily US cash markets continue their upward trajectory to finish the week. Some regions will use Friday data as first day in the price discovery period for week ending March 5 and if the upward trend remains in place, it will be considered counter seasonal next week. Weekly base prices for this week (week ending February 27) are higher relative to week ago with the WCB showing the strongest gains at \$6.39 USD/cwt; National is \$2.67 higher, and the USDA cutout-formula base is up \$3.49. When the National cutout-adjusted reference is determined later today, it will be over \$2.25 higher relative to week ago. The National/WCB price spread is at its narrowest in recent memory at \$3.61 in favour of the National region but the WCB is presently poised surpass National next week if current trends remain. While the WCB is not used in price discovery in Western Canada, the thinly traded market is used to gauge developments in the uncommitted (non-contract) hog market. Futures markets tend to be speculative, but cash markets are a function of actual supply and demand, and the recent moves in cash suggest that the issues with Covid-19 disruption supply tightness and a more aggressive re-filling of freezer stocks are factors in play today. Meanwhile, lean hog futures are trading lower this morning, but still retaining values amid contract highs. The impressive run up has seen the nearby contract gain over \$13 USD/cwt or about 18% in February alone. And while the lean hog trade is cooling off a bit in today's session, some weakness in the CAD is helping to retain value when converted to Canadian dollars.

US soymeal futures opened lower this morning. US soybean futures are backing off the highs to finish the week after briefly trading above the \$14.00 USD/bu mark once again in yesterday's session. While CME futures are lower, so too are futures values on the Dalian Commodity Exchange (China) where demand softness for beans further out (relative to previous expectations) is expected due to an apparent (re?)break of ASF and new variants of the disease that are being anecdotally reported as worse than first thought. Ideas that China will continue to be challenged by ASF are also supportive to lean hog futures.

US corn futures opened lower this morning. Like beans, US corn futures are also under pressure for the last session of the week and the last trading day of the month. The reversal is being attributed to a risk-off tone in what some analysts are calling a 'reset' amid some managed money repositioning. Fundamentals meanwhile remain supportive and are keeping the downside in check.

US Slaughter	
497,000	Thursday
498,000	Year Ago
Daily Prices	
WCB	\$79.15
National	\$81.21
Nat'l Cutout Adj	\$85.62
Daily Cutout	\$95.13
Signature 4	\$180.62
BP4/TCP4	\$180.62
HyLife Cash	\$192.09
HyLife Cutout	\$202.51
BoC Rate (Noon) prev. day \$1.2530 CAD / \$0.7980 USD	
Cash Prices Week Ending February 27, 2021	
Signature 4	178.23/80.84
h@ms Cash	176.23/79.94
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	173.87/78.87
OlyWest 2020	175.80/79.74
OlyWest 2021 (Cutout)	192.00/87.09
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	195.70 198.96	188.61 199.53	200.88 208.98	204.86 209.43	198.00 208.01	173.78 182.33	171.01 173.38	157.86 165.95	158.76 160.67

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