

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, March 2, 2021

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

Forward contract prices opened mixed this morning. Daily US cash markets are mixed but maintaining historically high levels for this marketing week. The WCB gained \$1.47 USD/cwt relative to the previous day bringing the National/WCB price spread within \$0.50 of one another in favour of National. This is the first time the price spread between negotiated and formula hogs has been this narrow in years and the WCB is poised to surpass National later this week if the trends remain in place. The National region also gained \$0.97 while the cutout-adjusted variant was \$1.33 lower on some softness in the daily value of the carcass. Pork production coming in at levels over 4% higher than year ago is adding some pressure with demand at present levels. The daily value of hams dropped \$6.76 while loins and bellies are relatively flat but also under some pressure. Daily volatility in the primals is not unusual in the current marketing environment, but market watchers will be keeping a keen eye on levels as this is the second day in a row the cutout has come under pressure and the value of the carcass does tend to drift sideways to lower as a trend around this time of year (except 2014). Lean hog futures are sharply lower this morning for reasons that have yet to be concretely revealed. While some analysts have been consistently bullish others have been calling for a correction, mostly on technical grounds; ideas that a smaller breeding herd, good demand (especially after Covid-19 restrictions are lifted), and ongoing ASF challenges in China have been supportive. The technical set-up and observations that present futures are currently ~20% above average cash market benchmarks have been suggested to be signs that a correction was in order.

US soymeal futures opened higher this morning. US soybean futures are remaining rangebound and consolidating around the \$14.00 USD/bu level (front month contracts). South American weather is supportive with Argentina too dry and Brazil behind harvest pace averages where too much moisture is playing a role. Demand remains supportive for now but a 'softening' could develop in China if the aggressive import pace backs off due to softening demand for hog feed inputs as a result of resurfacing ASF challenges.

US corn futures opened higher this morning. Like beans, US corn futures are rangebound amid the highs where the nearby contact is trading over \$5.63 USD/bu as of this writing. The recovery today has made up for all of yesterday's weakness (so far) when managed money 'length' was cited as being a bit overdone for now. Also like beans, South American weather and a slow harvest pace is supportive. The market will be looking to Thursday's Export Sales report as well as daily 'flash' notices for clues on direction.

US Slaughter	
499,000	Monday
491,000	Year Ago
Daily Prices	
WCB	\$81.24
National	\$82.78
Nat'l Cutout Adj	\$83.13
Daily Cutout	\$92.37
Signature 4	\$186.03
BP4/TCP4	\$186.03
HyLife Cash	\$197.93
HyLife Cutout	\$198.78
BoC Rate (Noon) prev. day \$1.2661 CAD / \$0.7898 USD	
Cash Prices Week Ending February 27, 2021	
Signature 4	178.23/80.84
h@ms Cash	176.23/79.94
HyLife Cash	190.79/86.54
HyLife Cutout	198.91/90.22
BP4/TCP4	173.87/78.87
OlyWest 2020	175.80/79.74
OlyWest 2021 (Cutout)	192.00/87.09
ISO Weans \$56.62 US Avg.	
Feeder Pigs \$87.43 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Maple Leaf Sig 4	186.74 189.99	183.82 194.71	196.05 204.13	202.55 204.58	196.66 206.67	173.76 182.31	170.56 172.91	159.00 167.08	159.90 161.81

This bulletin is intended as a marketing tool for subscribed members only. Prices are not quotes and all pricing is subject to verification. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.