

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, March 17, 2021

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**Forward contract prices opened mixed this morning.** Daily US cash markets are mixed, but the trend remains decisively higher. The WCB and National cut-out-adjusted bases were \$0.41 and \$1.99 lower, respectively; the National base price was higher by \$0.34 USD/cwt. Producers and market watchers who regularly read industry publications will likely be aware of a debate taking place between supply-side and demand-side proponents in an attempt to explain the 'why' of the recent counter seasonal rally. Arguments on both sides have merit but the likely explanation is that there is not only one aspect to the recent cash strength. The challenge of course is that supply is notoriously difficult to assess because of the dynamic aspect of the marketplace and there are furthermore very little objective data to 'confirm' shortages (or surpluses for that matter) - the most recent USDA Hogs and Pigs report (December), while less controversial compared to the September publication, has been lacking in its present supply outlook. In any event, Covid-19 processing disruptions last spring created larger than normal sow culling in 2020, not to mention other on-farm management decisions that are likely responsible for supply tightness in the current marketing environment. In the meantime, demand remains strong in both domestic and export channels and there are expectations that domestic demand will further improve once vaccines in the US are more prolific and foodservice establishments open up more fully once again. Lean hog futures started the session off on a lower note but are trading mixed-to-higher as of this writing. The summer month contracts (June, July, and August) are trading over \$100.00 USD/cwt with June and July both over \$101.00 as of this writing. Like cash, futures markets do not have any reason to move substantially lower while the fundamental outlook is as bullish as it is. The extent to which the market is 'overdone' or not remains to be seen, but support for prices at these levels will likely persist in the short-to-mid-terms, all else equal, and assuming no external market shocks.

**US soymeal futures opened lower this morning.** US soybean futures are consolidating at present levels (May and July at just over \$14.00 USD/bu) and the markets are trading with a bias lower this morning. A wet 5-day forecast in the US is supporting ideas that moisture levels could be replenished in areas that have been highlighted on the Drought Monitor. While China certainly needs beans (and have been consistent buyers of US product), there are ongoing challenges with ASF outbreaks creating feed demand uncertainty in the region.

**US corn futures opened mixed this morning.** Flash sales this week showing China is once again buying US corn is supportive even though there are ideas China purchasing activity has been or will be shifting to South America as harvesting continues. Further out, futures are seeing some resistance as a wet 5-day forecast in the US precedes spring planting.

US Slaughter	
493,000	Tuesday
502,000	Year Ago
Daily Prices	
WCB	\$88.28
National	\$89.57
Nat'l Cutout Adj	\$90.81
Daily Cutout	\$100.90
Signature 4	\$198.01
BP4/TCP4	\$198.01
HyLife Cash	\$210.70
HyLife Cutout	\$213.63
<b>BoC Rate (Noon) prev. day</b> \$1.2455 CAD / \$0.8029 USD	
Cash Prices Week Ending	
March 13, 2021	
Signature 4	193.49/87.77
h@ms Cash	191.49/86.86
HyLife Cash	207.17/93.97
HyLife Cutout	209.04/94.82
BP4/TCP4	187.02/84.83
OlyWest 2020	192.40/87.27
OlyWest 2021 (Cutout)	202.10/91.67
ISO Weans \$52.23 US Avg.	
Feeder Pigs \$90.38 US Avg.	

Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Maple Leaf Sig 4	201.50 204.16	198.12 209.41	210.95 219.36	216.02 219.81	208.55 218.96	181.37 190.22	178.53 180.97	162.37 169.90	161.04 164.36

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2021 District Meetings	Date	Time	Location
Alberta	Wed., March 10	1:00 PM (local time)	Virtual Microsoft Teams Meeting
Saskatchewan	Wed., March 17	1:00 PM (local time)	Virtual Microsoft Teams Meeting
Manitoba	Wed., March 24	2:00 PM (local time)	Virtual Microsoft Teams Meeting