

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, March 22, 2021

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

US Slaughter

| | |
|------------|-----------|
| 2.524 mil. | Last Week |
| 2.799 mil. | Year Ago |

Daily Prices

| | |
|------------------|----------|
| WCB | \$91.13 |
| National | \$91.02 |
| Nat'l Cutout Adj | \$92.69 |
| Daily Cutout | \$102.99 |
| Signature 4 | \$202.04 |
| BP4/TCP4 | \$202.04 |
| HyLife Cash | \$213.74 |
| HyLife Cutout | \$217.67 |

BoC Rate (Noon) prev. day
\$1.2506 CAD / \$0.7996 USD

Cash Prices Week Ending

March 20, 2021

| | |
|-----------------------|--------------|
| Signature 4 | 198.23/89.92 |
| h@ms Cash | 196.23/89.01 |
| HyLife Cash | 211.86/96.10 |
| HyLife Cutout | 217.45/98.63 |
| BP4/TCP4 | 193.49/87.77 |
| OlyWest 2020 | 200.00/90.72 |
| OlyWest 2021 (Cutout) | 209.60/95.07 |

ISO Weans \$48.63 US Avg.

Feeder Pigs \$84.53 US Avg.

Forward contract prices opened lower this morning. Daily US cash prices are starting the week off on a lower note with WCB, National, and the National cutout-adjusted bases down \$0.26, \$0.35, and \$3.43 USD/cwt., respectively. The ham and belly primals led lower relative to the previous day, nudging the net value of the carcass down \$3.81 and influencing cutout-referenced pricing lower by a larger degree than bases not using a larger component of the cutout in its price discovery. Regardless, the net value of the carcass remains at highs for this marketing week (only 2014 was higher) as demand remains strong. Moreover, one day 'lower' doesn't define a trend and daily variability in cutout pricing has been typical over the past weeks and months – the trend still remains biased to the upside for now. All regional pricing was between 32% and 50% higher than benchmarks for week ending March 20. Slaughter levels are approximating a seasonal pattern and settling into a lower trend which saw 2.524 million head processed last week. The number is 2.3% lower than week-ago and about 10% lower than year-ago but recall that the 2.799 million processed in 2020 was unusually high as processors ramped up production ahead of Covid-19 uncertainty. Last week's processing was 4.6% higher than the three-year average and 0.8% higher than 2019. Lean hog futures were lower at the open and the summer months are presently under \$100 USD/cwt after seeing summer contracts eclipse \$100 for most of last week. The action could merely be the market 'defining a top' as no breaking news has surfaced to suggest a sustained move lower would be called for presently. Fundamentals remain bullish in the meantime with ideas that supplies will be tight in the short to mid terms at the same time strong demand from all channels is maintained. The worsening ASF situation in China (and indeed globally) will be closely watched.

US soymeal futures opened lower this morning. US soybean futures remain rangebound with the nearby contract consolidating just over the \$14.00 USD/bu. level. Today's trade is lower so far but only modestly so compared to the previous session. One analyst described the tone in the marketplace as 'defensive'. News is mixed with China feed demand still strong (although recurring and new ASF outbreaks are tempering the bullishness somewhat) and Western hemisphere weather issues are providing support.

US corn futures opened lower this morning. Even though the ASF situation in China appears to be not good, to put it mildly, there are ideas that because food waste is no longer allowed to be fed to hogs, China's demand for corn will remain quite high. The degree to which ASF losses offset the increase in demand for animal feed very much remains to be seen, but a correction in the US corn market has not yet materialized. South American weather concerns and some dry areas in the USA are providing support on the supply side.

Forward Range
(at opening)

| | Apr | May | Jun | Jul | Aug | Sept | Oct | Nov | Dec |
|------------------|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig 4 | 204.95 | 192.89 204.24 | 205.80 214.25 | 210.70 214.70 | 202.49 212.92 | 177.47 186.34 | 174.61 177.05 | 159.59 167.13 | 158.26 161.58 |

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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 |