

# Hog Margin Outlook

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Wednesday, April 28, 2021

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US Slaughter	
486,000	Tuesday
281,000	Year Ago
Daily Prices	
WCB	\$115.17
National	\$104.99
Nat'l Cutout Adj	\$104.99
Daily Cutout	\$110.68
Signature 4	\$231.14
BP4/TCP4	\$231.14
HyLife Cash	\$245.64
HyLife Cutout	\$245.64
<b>BoC Rate (Noon) prev. day</b> \$1.2403 CAD / \$0.8063 USD	
Cash Prices Week Ending April 24, 2021	
Signature 4	228.55/103.67
h@ms Cash	226.55/102.76
HyLife Cash	244.09/110.72
HyLife Cutout	244.58/110.94
BP4/TCP4	223.79/101.51
OlyWest 2020	233.20/105.78
OlyWest 2021 (Cutout)	240.00/108.86
ISO Weans	\$48.44 US Avg.
Feeder Pigs	\$99.70 US Avg.

**Forward contract prices opened higher this morning.** Daily US cash prices resume the upward trend with the WCB more than making up for the \$1.48 'weakness' in the previous day and coming in \$4.01 USD/cwt. higher in the latest report. The move puts the WCB daily price at \$115.17 which is only a penny below the weekly constructed benchmark seen in the 2014 marketing year. Due to the way weekly US base prices are determined, the WCB will not overtake 2014 values this week, but if the upward trend remains, next week's base will almost certainly surpass 2014 levels in the next reporting period. It is important to note that in 2014, weekly base prices were in a downward trend into June, so the current market is not chasing 2014 highs, but the move is impressive, nonetheless. Packers have needed to enter the negotiated markets more aggressively to secure production needs during pipeline replenishing initiatives and strong demand more generally. Sow slaughter in the US remains high coming in 1.4% above year-ago levels and 9.2% higher than the 2019 pace, year-to-date. However, slaughter sow imports are also high, coming in 12.4% above year ago and as slaughter sows are almost completely imported from Canada, it helps explain the current value of local, number one sows (S. Manitoba) that are hovering around the \$74 CAD/kg mark compared to the seasonal \$40.90 five-year average. Lean hog futures continue their upward climb with the June and July contracts approaching 'limit up' levels in the early session. The market has backed off from the aggressive pace after bumping up against the April 12 highs, but it is still trading higher as of this writing. At the height of the early morning highs, Canadian forward contract prices were approximately \$4.00 CAD/kg higher than levels seen the previous day. Ongoing strength is expected in the futures markets for the near term and potentially out to the end of the year as supply outlooks remain tight amid strong demand outlooks (all else equal). Tomorrow's weekly export sales report will be closely watched for ongoing demand (new net sales) in the export channel. Physical deliveries support cash (and the nearby futures) and are expected to remain trendline strong in tomorrow's report. New net sales typically have more influence over the deferred contracts.

**US soymeal futures opened higher this morning.** Commentary circulating this morning that US grains and oilseeds are presently the most expensive in the world prompting the importing of French wheat, Argentine corn, and Brazil soybeans. Many are also opining that US growing weather needs to be basically perfect if the US is expected to not tighten the balance sheet further and that the 120 million bu. in estimated ending stocks could still be a bit 'high' (!).

**US corn futures opened higher this morning.** Talk of a lower Brazil crop, high US demand, good export demand (presently), low farmer selling, and a potentially dry US growing season are all factors supporting US corn. There is a lot of time between now and harvest, but a dry start always prompts concerns and outlooks remain dry for now in any event. Contract highs continue to be made; the May contract is trading at \$7.20 USD/bu as of this writing.

Forward Range (at opening)	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
Maple Leaf Sig 4	224.24	226.66 234.78	227.21 232.37	216.56 228.20	190.16 198.95	185.33 189.72	172.82 182.26	171.28 174.79

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STRENGTH IN NUMBERS

