

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, May 3, 2021

For details call: (204)235-2237 or visit
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US Slaughter

2.454 mil	Last Week
1.540 mil.	Year Ago

Daily Prices

WCB	\$116.43
National	\$104.46
Nat'l Cutout Adj	\$104.46
Daily Cutout	\$110.46

Signature 4	\$227.78
BP4/TCP4	\$227.78
HyLife Cash	\$242.03
HyLife Cutout	\$242.03

BoC Rate (Noon) prev. day
 \$1.2285 CAD / \$0.8140 USD

Cash Prices Week Ending

May 1, 2021

Signature 4	230.12/104.38
h@ms Cash	228.12/103.47
HyLife Cash	244.43/110.87
HyLife Cutout	244.43/110.87
BP4/TCP4	228.55/103.67
OlyWest 2020	240.10/108.91
OlyWest 2021 (Cutout)	245.10/111.18

ISO Weans \$48.93 US Avg.

Feeder Pigs \$93.13 US Avg.

Forward contract prices opened higher this morning. Daily US cash markets are mixed to start the week with the negotiated WCB region up \$0.14 USD/cwt and both National variants \$0.14 lower relative to the previous day. While the WCB weekly base price will likely surpass 2014 levels for this marketing week, the formula prices (all National variants including ones using a larger component of the cutout) are struggling to reach the benchmark. That is not to say weakness is developing; cash levels and the value of pork remains amid record levels and any pull-back has been moderate. While the net value of the cutout saw the first week over week decline since January for week ending May 1, the daily value is recovering and headed upward once again. Last week's cutout weakness was led by bellies, a cut of which volatility is a regular feature and the recent 'recovery' (not to mention the trend lower last week) is not surprising from a trend analysis perspective. Weekly slaughter levels came in at 2.454 million head which is 5.8% higher than the three-year average, 3.7% above the 2019 marketing year and essentially flat with the previous week (0.7% lower); 2020 levels are not discussed in terms of analysis because the height of Covid-19 plant shutdowns were now if full swing for the comparable marketing week but 59.3% less head were processed in 2020 highlighting the disruptive nature of the outbreak. Lean hog futures are starting the week off higher and trading amid new contract highs as of this writing. The market 'knows' less supplies will be available in the coming months and outlooks expecting ongoing demand strength is providing the trade with a bit of optimism to start the week. There could also be an element of 'new month, new money' in play as today marks the first available trading day in May and commodities have recently been good investments, broadly speaking. Follow-through buying will be closely watched for in subsequent sessions this week, as will proxies for future demand such as trends in the value of the pork cutout and the weekly Export Sales report which has been a bit inconsistent over the past four reports in terms of new net sales.

US soybean futures opened lower this morning. US soybean futures are backing off contract highs reached in the early session this morning but are residing amid record levels as of this writing. There is talk that China is buying US beans first (over Brazil) but the seasonal trends are still in place and at the lower end of the spectrum. It suggests that if China is buying 'US first', lower feed demand due to ASF challenges is likely behind the low volumes and new commitments. Soybean oil remains supportive – if less beans are crushed due to low feed demand, less oil is likewise produced.

US corn futures opened mixed this morning. The May corn contract is presently trading over \$7.00 USD/bu. Brazil corn production is very uncertain and there are large swaths of important growing areas that are too dry which could impact production substantially. Some analysts see 60% of the Safrinha (second crop) being impacted which is responsible for about 75% of production. US planting pace is expected to show rapid progress now and timely forecast rain are factors keeping the upside in check for now.

Forward Range
(at opening)

Jun

Jul

Aug

Sept

Oct

Nov

Dec

Jan

Maple Leaf
Sig 4

231.43
239.49

233.87
237.09

221.88
233.43

192.20
200.92

187.52
191.88

173.89
183.27

172.37
175.86

166.71
177.60

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STRENGTH IN NUMBERS

