

Hog Margin Outlook

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Friday, May 7, 2021

For details call: (204)235-2237 or visit
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US Slaughter	
481,000	Thursday
334,000	Year Ago
Daily Prices	
WCB	\$121.91
National	\$105.56
Nat'l Cutout Adj	\$105.56
Daily Cutout	\$113.86
Signature 4	\$228.60
BP4/TCP4	\$228.60
HyLife Cash	\$244.20
HyLife Cutout	\$244.20
BoC Rate (Noon) prev. day \$1.2200 CAD / \$0.8197 USD	
Cash Prices Week Ending May 8, 2021	
Signature 4	228.39/103.60
h@ms Cash	226.39/102.69
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	230.12/104.38
OlyWest 2020	237.60/107.77
OlyWest 2021 (Cutout)	237.70/107.82
ISO Weans	\$48.93 US Avg.
Feeder Pigs	\$93.13 US Avg.

Forward contract prices opened mixed this morning. Daily US cash prices are higher to finish the week with all reporting regions posting gains relative to the previous day. Base prices in USD/cwt. for week ending May 8 are not consistently higher as the USDA cutout-adjusted reference is lower than previous week for the first time since early February (marketing week 5). The National region saw the lowest weekly increase this year at \$0.23 and when the National cutout-adjusted reference is calculated today, it will likewise see the smallest week-over-week increase this year (about \$0.30). The WCB, on the other hand, continues to see unprecedented weekly gains and the region continues to show no signs of abating. To be sure, it will turn around at some point, but there are no indications that the region is at risk of a significant or major trend reversal at present. Packers have entered the negotiated markets aggressively as they attempt to shore up production requirements while meat demand remains strong. Supplies remain tight in the meantime, providing underlying support. The WCB leads trends both higher and lower, and it will be closely watched for clues on overall market direction. Lean hog futures remain amid elevated levels, but the strength behind the most recent rally (April 19 to May 5) has lost momentum for now. Yesterday saw the first 'down day' since the correction on April 29, but like cash, the market does not appear poised for a significant reversal today. The market 'knows' supplies will be less plentiful heading into the summer and ideas that the US economy could be opened up more fully are supporting the trade. Demand from all channels remains robust and tight supplies are anticipated out to the end of the year. While there is some speculation priced into the current market, the rationale behind the recent strength is also fundamental in nature. Markets are called sideways for the near term, all else equal and assuming no market shocks. Corrections, to the extent they materialize, are not expected to initiate *sustained* selling, but any hint of demand weakness could prompt position exits among speculators and the market could be experience interim volatility.

US soymeal futures opened higher this morning. Next week, the USDA will release the May WASDE report and analysts' expectations ahead of the report are for ending stocks to remain tight in both new and old crop marketing periods. For old crop, ending stocks of US beans are expected to come in at 117 million bu, a 3 million bu. reduction compared to the April report. New crop ending stocks are pegged at 138 million bu. on average against the 145 million bu USDA outlook and a 110 million to 230 million bu. range from analysts.

US corn futures opened lower this morning. Like beans, US ending stocks of US corn for both crops is expected to be reduced relative to previous month or current outlooks. Old crop corn is looking at a 1.275 billion bu. carryout on average compared to the April report pegging ending stocks at 1.352 billion bu. For new crop, analysts see a range between 1.100 billion and 1.622 billion bu with the average at 1.344 billion bu. The USDA outlook is for new crop corn to see a 1.552 billion bu. carryout so far. The May WASDE report will be released on Wednesday, May 12.

Forward Range (at opening)	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan
Maple Leaf Sig 4	232.68 240.67	237.82 240.85	225.12 236.57	195.05 203.69	190.16 194.48	176.95 186.23	175.44 178.90	170.21 181.02

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STRENGTH IN NUMBERS

