

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 14, 2021

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

US Slaughter

479,000	Thursday
382,000	Year Ago

Daily Prices

WCB	\$117.06
National	\$107.71
Nat'l Cutout Adj	\$107.71
Daily Cutout	\$116.19

Signature 4	\$232.29
BP4/TCP4	\$232.29
HyLife Cash	\$246.80
HyLife Cutout	\$246.80

BoC Rate (Noon) prev. day
\$1.2150 CAD / \$0.8230 USD

Cash Prices Week Ending

May 15, 2021

Signature 4	230.41 / 104.51
h@ms Cash	228.41 / 103.61
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	228.39 / 103.60
OlyWest 2020	241.20 / 109.41
OlyWest 2021 (Cutout)	240.10 / 108.91

ISO Weans \$48.94 US Avg.

Feeder Pigs \$80.81 US Avg.

Forward contract prices opened lower this morning. Daily US cash markets are mixed with the negotiated WCB region lower for the second consecutive reporting period at -\$2.73 USD/cwt. The move is notable as the daily value is lower than the previous weekly average reference price for the first time this year. Two 'down days' are not indicative of a trend, but market watchers have been looking for signs of reversals and as the region typically leads general pricing trends (either higher or lower). The daily National bases are higher by \$0.24. The weekly WCB base price for week ending May 15 has posted its lowest week-over-week gain (\$1.31) since January and the National regions have outpaced the weekly gains in the WCB in the latest reporting period for the first time since March. This is not to say anything is fundamentally shifting per se, but the dynamics in the regions will be closely watched for clues on direction. Supply and demand fundamentals have not materially changed, and the general expectation is that pricing, more broadly, will remain supported into the summer. Lean hog futures are consolidating off the previous week's highs and trading in a mixed and sideways pattern as of this writing. Outlooks on demand remain supportive as do supply estimates. But depending on the author, forward-looking export analysis is varied. A main issue is China and whether US pork purchases will be ramped up in the wake of the most recent ASF (re) outbreak which almost everyone agrees is likely being underreported. First quarter deliveries (all pork and pork products) to China are down 17.1% compared to year ago and weekly primal volume (new net sales) is down 78.2% relative to 2020 comparing the last six reporting periods. China cancellations of old crop corn but notable increases in new crop commitments imply China will be looking to rebuild the hog herd 'later'. However, it is entirely possible that China may 'need' pork at elevated levels once again but that they will not inevitably make up that need with US pork. Due to the inconsistency with historical US pork purchasing from the region (record 2020 volumes, notwithstanding), subsequent export sales reports will likely usher volatility into the futures especially if a pattern of inconsistency is maintained. 'Anemic' activity from China will keep the upside in check (all else equal), even though net demand outlooks (all regions and channels) remain supportive.

US soybean futures opened higher this morning. Seasonal export activity and a 'bearish' export sales report pushed US soybean futures lower in yesterday's session, but the market has found footing and is trading higher for the last trading day of the week. The USDA did not adjust old crop ending stocks numbers from the previous month (reductions expected) and new crop came in above pre-report estimates. However, the balance sheet remains tight for both crop years and supplies could be limited depending on US weather and subsequent South American production. The market will be looking to weather developments for clues on direction.

US corn futures opened lower this morning. Profit taking following the release of the May WASDE report pushed US corn futures lower in yesterday's session, but the market is much more stable as of this writing. Follow-through selling has not materialized significantly in the last session of the week. Brazil production outlooks (Safrinha 'second' crop) are supportive as dryness could impact final yield; US weather remains good for planting progress, but timely rain will be needed to get the crop off to a good start.

Forward Range
(at opening)

Jun

Jul

Aug

Sept

Oct

Nov

Dec

Jan

Maple Leaf
Sig 4

226.78
231.93

227.17
230.17

215.79
227.17

188.91
197.50

184.10
188.39

172.62
181.85

171.12
174.55

167.45
178.25

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STRENGTH IN NUMBERS

