

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 19, 2021

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

478,000 Tuesday
406,000 Year Ago

Daily Prices

WCB \$116.61
National \$109.81
Nat'l Cutout Adj \$109.81
Daily Cutout \$116.06

Signature 4 \$231.99
BP4/TCP4 \$231.99
HyLife Cash \$246.98
HyLife Cutout \$246.98

BoC Rate (Noon) prev. day
\$1.2051 CAD / \$0.8298 USD

Cash Prices Week Ending

May 15, 2021

Signature 4 230.41/104.51
h@ms Cash 228.41/103.61
HyLife Cash 246.06/111.61
HyLife Cutout 246.06/111.61
BP4/TCP4 228.39/103.60
OlyWest 2020 241.20/109.41
OlyWest 2021 (Cutout) 240.10/108.91

ISO Weans \$45.63 US Avg.

Feeder Pigs \$87.85 US Avg.

Forward contract prices opened higher this morning. US cash markets are mixed mid-week, with the negotiated WCB region down for the third time out of four reporting periods (daily). When the weekly base price for the WCB is calculated tomorrow, it will be the first time the price is lower than the previous week since December of last year. The WCB is not widely used for price determination in Western Canada, but it does typically lead the trend, so it is watched very closely. Meanwhile, the National, formula-based regions continue to post incremental gains. The idea, of course, is that a 'top' has not yet been reached especially since the National-based formulas are used in Western Canadian pricing. Cash prices are supported on exceptionally strong ongoing demand as packers compete more aggressively to secure tight supplies ahead of what is expected is going to be a robust post-lockdown re-opening in the US restaurant and foodservice sectors. The net value of the carcass is presently at record levels for the marketing week (daily values) and the weekly price will likely be amid records when calculated later this week. Recall that in 2014, interim softness developed in the cutout at this time of year which is why present values are at records. However, primals regained strength heading into August and it remains to be seen if the cutout will carry on a similar tack this year. In any event, prices remain exceptionally high, and a swift correction is not expected in the current marketing environment. Lean hog futures are jockeying for position. The market has seen six previous consecutive down sessions into Monday, were up yesterday (but did not retrace previous losses) and are trading lower today. The market is consolidating at present levels. Despite the ongoing ASF situation in China, a lot of speculation on actual herd numbers, the state of rebuilding domestic supply, and the 'need' for pork in the interim, China remains to be an inconsistent US customer (record purchases in 2020 notwithstanding) and expectations are for exports to the region to be moderately lower than year-ago, not higher. The situation will be monitored very closely, and futures markets will likely respond to the weekly Export Sales reports all else equal. Weekly Export Sales reports are released on Thursdays and tomorrow's will be watched closely for clues on direction.

US soymeal futures opened lower this morning. A 'weather market' is firmly in place as the outlook for much of the Midwest has improved markedly with some rain in forecast and improving temperatures to help with emergence. US soybean futures are sharply lower this morning (albeit still at the highs) as the focus shifts to US supply. Planting pace is higher than average and if timely rain materializes, crops could get off to a good start. That's a big 'if' as many regions are very dry and in drought conditions. But the dry weather has allowed farmers to get on fields which is why the planting pace is so rapid this year.

US corn futures opened lower this morning. Like beans, US corn futures are lower this morning as the weather outlook improves in many growing areas across the US. The Northern Plains are not called for the same precipitation as in the Midwest, but cooler temperatures in the forecast will at least not make the dry situation worse. Timely rain will be the most important piece to the US supply puzzle this year for both beans and corn. Demand remains strong though and the balance sheet for the new crop remains relatively tight, so a steep correction is not presently expected.

Forward Range
(at opening)

Jun

Jul

Aug

Sept

Oct

Nov

Dec

Jan

Feb

Maple Leaf
Sig 4

228.39
232.26

228.79
231.58

217.89
229.28

189.14
197.53

184.10
188.18

170.58
179.60

169.29
172.51

163.20
174.11

176.47
176.47

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STRENGTH IN NUMBERS

