

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 21, 2021

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

US Slaughter

477,000 Thursday
404,000 Year Ago

Daily Prices

WCB \$113.45
National \$107.63
Nat'l Cutout Adj \$107.63
Daily Cutout \$119.22
Signature 4 \$230.59
BP4/TCP4 \$230.59
HyLife Cash \$245.49
HyLife Cutout \$245.49

BoC Rate (Noon) prev. day
\$1.2070 CAD / \$0.8285 USD

Cash Prices Week Ending

May 22, 2021

Signature 4 232.32/105.38
h@ms Cash 230.32/104.47
HyLife Cash 246.43/111.78
HyLife Cutout 246.43/111.78
BP4/TCP4 230.41/104.51
OlyWest 2020 242.50/110.00
OlyWest 2021 (Cutout) 242.50/110.00

ISO Weans \$45.63 US Avg.

Feeder Pigs \$87.85 US Avg.

Forward contract prices opened higher this morning. Daily US cash markets are mixed to finish the week with the WCB down \$2.45 USD/cwt, National \$0.20 higher, and the National cutout-adjusted base up \$0.25 relative to the previous day. Weekly regional base prices are mixed for week ending May 22 which is notable. For the first time this year, the WCB weekly reference is lower than the previous week. While the WCB is not used in Canadian price discovery, it is closely monitored because it typically leads the trends. Market watchers have been attempting to determine when a cash market 'top' will be reached in the current marketing year and while that will only ever be determined in retrospect, the movement lower in the WCB is raising eyebrows. Moreover, the first daily data point in the weekly price determination period (Friday) is also lower than the weekly reference. While the National-based weekly references are higher than week-ago, like the WCB, the first daily data point is also lower. 2021 is not a typical marketing year and using trend analysis to project future cash pricing falls a bit short. But movements in the WCB (and if the formula regions will 'follow') are going to be watched very closely. In the meantime, live supply tightness and robust demand from all channels is supporting cash markets. Even if the regional base prices 'back off' a bit, they will likely not mirror the patterns seen in other years. Lean hog futures are consolidating at present levels with all 'knowns' priced into the market for now. Futures have seen a recovery from the pressure in the previous week but have not yet made up for the losses that started to develop on Friday, May 7. The trade is presently defining a new range but also maintaining value at the highs which sees futures out to the end of the year trading at a 40% premium relative to average cash benchmarks while 2022 futures are approximately 25% higher.

US soymeal futures opened lower this morning. Softness in the global vegetable oil trade is weighing on US soybean futures as are weather developments across the Midwest and Northern Plains that should see some moisture aid in germination. This week saw pressure enter the bean trade more broadly, but there is talk that managed money selling has subsided for now. The market is stabilizing at present levels, and while lower than the highs put in on May 12, exceptional pricing levels are being maintained.

US corn futures opened lower this morning. US corn futures have made some incremental gains this week following last week's selloff that was triggered by a 'bearish' WASDE report on Wednesday. China has made some very aggressive commitments for new crop US corn on thoughts that state buyers are a bit nervous on uncertain Brazil production. US weather is adding some pressure, but high demand and a tight balance sheet are keeping values at comparatively high levels which is not expected to change in the near term.

Forward Range
(at opening)

Jun

Jul

Aug

Sept

Oct

Nov

Dec

Jan

Feb

Maple Leaf
Sig 4

230.66
234.52

232.16
235.24

220.90
232.35

189.97
198.32

185.40
189.47

171.22
180.21

169.93
173.14

163.96
174.88

177.24
177.24

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STRENGTH IN NUMBERS

