

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 26, 2021

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

US Slaughter	
485,000	Wednesday
415,000	Year Ago
Daily Prices	
WCB	\$112.45
National	\$109.05
Nat'l Cutout Adj	\$112.07
Daily Cutout	\$124.52
Signature 4	\$233.37
BP4/TCP4	\$233.37
HyLife Cash	\$247.92
HyLife Cutout	\$254.79
BoC Rate (Noon) prev. day \$1.2057 CAD / \$0.8294 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 \$46.15 US Avg.	
Feeder Pigs \$79.78 US Avg.	

Forward contract prices opened higher this morning. Daily US cash markets are mixed mid-week with the WCB \$1.21 USD/cwt lower, National down \$0.64, and the National cutout-adjusted base \$2.08 higher relative to the previous day. The negotiated WCB region continues to see a regional price softening and has been lower than the previous day for eight of the last nine reporting periods. It appears as if a 'top' has been reached in the region for now (although there is no guarantee on that), but the National-based regions continue to trend higher. While the 'traditional', daily National is lower today, the cutout variant is once again moving upward supported by ongoing strength in the value of the cutout. The net value of the carcass has increased by ~50% since the beginning of the year and there are no signs that momentum is slowing down although there is talk that demand for some of the grilling meats may subside somewhat after Memorial Day (May 31), Independence Day (July 4), and to a lesser extent, Fathers' Day (June 20). There is anecdotal evidence that much of the current demand is coming from the restaurant sector who is aggressively rebuilding (or securing) inventory in anticipation of brisk business in a post-Covid-19 lockdown environment that is already showing some signs of coming back in certain states. Lean hog futures got a boost yesterday following the release of the monthly Cold Storage report (reporting on April inventories) that revealed total pork inventory remained essentially flat compared to the previous month. Typically, total pork in cold storage increases by about 4.5% between March and April whereas this year's increase was only 0.9%. Ham inventories did increase by 33.8% (19.4% on average) but bellies were drawn down by 3.4% when a 14.9% increase is considered normal. Looking forward, total pork inventories typically decrease slightly between May and April, but current inventories are so far off what would be considered normal (26.0% below the three-year average), that trend analysis really doesn't help in this instance. In the meantime, demand remains strong and pipelines have not been replenished which will be supportive to both cash and futures markets.

US soymeal futures opened higher this morning. US soybean futures have found some footing after seeing a lowering trend that developed after the May WASDE report was released two weeks ago. Adding to the pressure are ideas that crush margins in China are negative and that some export demand from the region could be softening for now. Export data shows volumes remaining within the seasonal trend (new export numbers will be released tomorrow morning). Despite the recent drop, values remain amid the highs with the nearby currently trading above \$15.00 USD/bu.

US corn futures opened higher this morning. A large one-day drop in the US corn futures yesterday raised some eyebrows as the fundamental picture has not substantially changed. While planting/growing weather is still a bit too dry and cool in the northern regions, other areas are faring much better. There is unconfirmed talk China is rolling old crop purchase into the new marketing year. But yesterday's sell-off has been called a technical reposting by managed money and a reminder that fundamentals are not always the driving force behind market moves.

Forward Range (at opening)	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4	240.89	238.53 242.58	230.77 242.15	195.35 203.73	190.82 194.90	173.09 182.11	171.80 175.02	168.79 174.62	176.98 176.98

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