

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 27, 2021

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

US Slaughter

483,000	Thursday
427,000	Year Ago

Daily Prices

WCB	\$112.10
National	\$109.46
Nat'l Cutout Adj	\$111.58
Daily Cutout	\$123.98
Signature 4	\$235.29
BP4/TCP4	\$235.29
HyLife Cash	\$248.77
HyLife Cutout	\$253.60

BoC Rate (Noon) prev. day
\$1.2110 CAD / \$0.8258 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 lower this morning. Daily US cash markets are mixed with the negotiated WCB region \$0.35 USD/cwt. lower, National up \$0.41, and the National cutout-adjusted base down \$0.49 relative to the previous day. The WCB is 'holding' and hovering around the \$112/\$113 level and showing only mild daily variability this week but it is lower than the \$120.18 high put in two weeks ago. When the weekly prices are constructed later today, it will be the second week in a row the WCB has seen lower values week over week. Despite coming in lower today, the National cutout-adjusted daily value is higher than week ago (as is the National) and the two regions continue to make incremental gains. A cash top for National-based pricing (all variants) has not yet been reached meaning values in Western Canada continue to see strength when the CAD remains stable or lower. Although ribs only make up about 5% of the value of the cutout, the daily price of ribs is presently at \$300.10 (!) which is simply remarkable. The market will be watching very closely to see what happens to the rib primal (and other popular cuts for the grill) once Memorial Day (Monday, next week), the July 4 holiday, and grilling season more broadly concludes. Lean hog futures shrugged off the weekly Export Sales report this morning that would be considered quite good at first glance. Physical deliveries were up 38.3% from the previous reporting period while new net sales were up substantially at 45,879 MT and only the seventh time net sales eclipsed 40,000 MT in 2021. But it was Mexico, a traditionally strong US pork customer, who was in the number one position in both terms of physical deliveries and new net sales. China purchases have been much more disciplined. Physical deliveries into China (13,492 MT) were slightly higher than the average pace seen so far this year and new net sales were likewise near the average at 9,649 MT. While new net sales volumes year-to-date are higher than 2020, current marketing year commitments (cumulative) for 2020 are 36.6% below the 2020 pace because China committed to more pork in 2019 for the new marketing year. The net result is lower committed volumes from China in 2021 compared to 2020 and additional export sales commitments will likely be needed to nudge futures markets significantly higher, all else equal.

US soymeal futures opened higher this morning. Physical deliveries and new net sales of US soybeans remain locked in a seasonal pattern as the trade waits for China to enter the US market. Typically, firm commitments from the region don't materialize until the end of harvest but this year is also not a typical marketing year and there are some concerns that pig losses due to ongoing ASF challenges in China will curb demand for feed. In any event, accumulated exports are outpacing all recent years and are 30% higher than the five-year average indicating ongoing demand strength.

US corn futures opened higher this morning. China once again commits to a massive amount of new crop corn in the reporting period for week ending May 20. Out of the total 5.691 MMT, China committed to 5.644 MMT (!). It is the third time in a row new net sales for the next marketing year have eclipsed 2.0 MMT and the 'earliest' time large commitments have materialized. Physical deliveries came in at 1.849 MMT, the highest volume for the reporting period in recent memory and 62% above the five-year average.

Forward Range (at opening)	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4	240.20	237.44 240.22	229.52 240.87	193.76 202.11	189.33 193.40	171.49 180.49	170.20 173.42	163.54 174.50	176.87 176.87

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h@ms Marketing Services Forward Contracting will be closed

Monday, May 31 for Memorial Day in the USA. US markets are closed.

Forward contracting will be suspended and the HMO and Opening Price information will not be published. Normal business resumes on Tuesday, June 1.