

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, June 2, 2021

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

US Slaughter	
390,000	Tuesday
418,000	Year Ago
Daily Prices	
WCB	\$112.78
National	\$111.20
Nat'l Cutout Adj	\$114.41
Daily Cutout	\$127.12
Signature 4	\$237.90
BP4/TCP4	\$237.90
HyLife Cash	\$253.31
HyLife Cutout	\$260.34
BoC Rate (Noon) prev. day \$1.2040 CAD / \$0.8306 USD	
Cash Prices Week Ending May 29, 2021	
Signature 4	233.70/106.01
h@ms Cash	231.70/105.10
HyLife Cash	249.54/113.19
HyLife Cutout	255.47/115.88
BP4/TCP4	232.32/105.38
OlyWest 2020	242.30/109.91
OlyWest 2021 (Cutout)	245.40/111.31
ISO Weans \$44.93 US Avg.	
Feeder Pigs \$80.13 US Avg.	

Forward contract prices opened higher this morning. Daily US cash prices are once again trending higher with all regional base pricing posting gains relative to the previous day. The negotiated WCB appears to be making a bit of a 'comeback', but daily values are still lower than the weekly base for week ending May 29. This also happened in 2014 when regional values saw a pullback from initial highs in the spring – markets recovered into July until finally seeing some softness into the fall. While there are many differences between 2014 and today, from a trend perspective, what stands out is that in 2014, both negotiated and formula price discovery regions moved more or less in tandem. This year, the WCB has seen a correction over the past three weeks, while the National has continued to post incremental gains. To be clear, this is not the same marketing environment as 2014, but comparisons are tempting especially at these elevated price levels which stand out relative to history. In other news, a cyberattack on JBS North America (and Australia) yesterday shut down operations at nine plants and disrupted six others in the USA and Canada. While beef operations are making the headlines and pork operations have not been widely reported on as of this writing, they were impacted as well. Daily US hog slaughter was down approximately 19% compared to year ago which would be consistent with the market share of pork processing capacity JBS has in the United States. While food security and other issues are obviously present (recall the recent Colonial Pipeline hack), the disruptions could nudge buyers back into the negotiated cash markets as competition to shore up supplies remains aggressive. The company has stated operations are coming back online, but it will likely take a couple days to recover fully. A large Saturday kill is presently expected this week. Lean hog futures are lower this morning but 'lower' is a relative term. The market remains amid the highs where new contract highs were reached at yesterday's close. Neither cash nor futures markets have reached decisive highs and it will likely take consistently poor export sales reports and/or a pull-back in the value of the cutout (as proxies for demand) to initiate a fundamental shift in tone.

US soymeal futures opened higher this morning. The US planting pace continues to progress rapidly with 84% of US soybeans planted as of Sunday. This compares to the 67% five-year average and 74% last year. The report was delayed by a day due to Memorial Day observance in the US on Monday. Dry weather has allowed farmers to get on fields, but timely rain will not be necessary for beneficial crop development. It remains too dry in many growing areas of the USA.

US corn futures opened higher this morning. As of Sunday, the US corn crop is essentially planted. An estimated 95% of the crop is in the ground compared to the 87% five-year average. The crop now needs rain. There has been talk that some bean acres could be pulled into corn due to the economics of farming and high prices for corn more broadly, but that very much remains to be seen. The June WASDE report will be released next Thursday.

Forward Range (at opening)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig 4	244.06 246.85	236.46 247.81	196.03 204.38	191.34 195.41	174.32 183.32	173.04 176.25	167.65 178.56	180.92 180.92

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