

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 3, 2021

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

439,000	Wednesday
426,000	Year Ago

## Daily Prices

WCB	\$112.71
National	\$111.56
Nat'l Cutout Adj	\$116.63
Daily Cutout	\$129.59

Signature 4	\$238.65
BP4/TCP4	\$238.65
HyLife Cash	\$253.19
HyLife Cutout	\$264.70

**BoC Rate (Noon) prev. day**  
\$1.2052 CAD / \$0.8297 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 markets continue to see gains with all regions higher relative to the previous day. Interestingly, the daily spread between the negotiated and formula regions is presently at its lowest level since March. The spread still favours the WCB, which is atypical in recent history, but the WCB has seen some softness in recent weeks. If the cash markets are attempting to define a 'top', it has not yet done so as the National still pushes incrementally higher. Demand for pork remains very strong and there is ongoing talk restaurant buyers are aggressive in the marketplace who are competing with retail, who are competing with the exporters. Cutout values remain exceptionally high and are only \$6.52 USD/cwt off the all-time highs that were witnessed in July of 2014. The extent to which this trend is sustainable very much remains to be seen, but so far, there is no real indication that price rationing or any other softness is developing today. Food inflation may curb demand at some point, but there is likely going to be a 'response lag' attributed to that event and only when increased costs are passed on to consumers. For now, there is talk that at least in the restaurant sector, some establishments are going to bear some of those costs and offer specials to recapture lost patronage due to the mandated shutdowns at the height of Covid-19 mitigation attempts. Lean hog futures are mixed for the second session this week, but the correction in the front-months is minor and all contracts are still residing at contract highs. Like cash, some daily variability is present but aside from the week-long correction seen at the beginning of May, the market has tacked consistently higher as a trend since the beginning of the year. The May correction, moreover, was largely a function of managed money repositioning. In any event, the fundamentals remain supportive and demand outlooks are strong for now. The weekly Export Sales report normally published Thursdays is delayed due to Memorial Day and will be published before the market opens tomorrow.

**US soymeal futures opened mixed this morning.** Front-month US soybean futures are higher while the deferreds are backing off a bit. The USDA has estimated that net imports from all regions into China will be 1.5% higher than last year as the country rebuilds its hog herd, ASF outbreaks, and the control of them, notwithstanding. Vegetable oils are providing ongoing peripheral support to the complex. The market has not yet recovered from the correction two weeks ago, but dry weather in both hemispheres and a tight balance sheet will keep markets supported.

**US corn futures opened mixed this morning.** Profit taking is thought to be behind the recent pressure seen in the US corn market with the weather and fundamentals keeping the downsides in check. Hot, dry weather in the forecast could prove challenging to newly emerging crops, and ongoing dry weather in Brazil is proving to be getting worse – there is talk that production out of Brazil could be down with 90 MMT being banded about in recent articles, down by roughly 5MMT from previous estimates.

Forward Range  
(at opening)

Jul

Aug

Sept

Oct

Nov

Dec

Jan

Feb

Maple Leaf  
Sig 4

242.86  
245.65

236.91  
248.30

198.55  
206.93

193.80  
197.88

176.68  
185.70

175.39  
178.61

168.80  
179.69

182.04  
182.04

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