

Hog Margin Outlook

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Friday, June 11, 2021

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

US Slaughter	
485,000	Wednesday
448,000	Year Ago
Daily Prices	
WCB	\$124.66
National	\$116.28
Nat'l Cutout Adj	\$120.65
Daily Cutout	\$134.05
Signature 4	\$249.61
BP4/TCP4	\$249.61
HyLife Cash	\$265.10
HyLife Cutout	\$275.06
BoC Rate (Noon) prev. day \$1.2094 CAD / \$0.8269 USD	
Cash Prices Week Ending	
June 12, 2021	
Signature 4	244.41/110.86
h@ms Cash	242.41/109.96
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	238.50/108.18
OlyWest 2020	251.80/114.22
OlyWest 2021 (Cutout)	262.40/119.02
ISO Weans \$45.19 US Avg.	
Feeder Pigs \$72.39 US Avg.	

Forward contract prices opened mixed this morning. Daily US cash markets are mixed to finish the week as the WCB and National regions continue to climb higher while the National cutout-adjusted reference is moderately lower on some daily variability in the net value of the cutout. Weekly prices, however, continue to make gains and the negotiated WCB region is presently volatile. Three weeks ago, the WCB was seeing some softness that carried into the next consecutive week. This week, the WCB saw its largest one-week gain since September of 2020 resulting in a new high for the year. The region is now only \$10.87 USD/cwt away from the \$130.80 high reached in July of 2014. The value of the cutout is only \$2.06 lower than the July 2014 high today (comparing daily to the weekly historical average), but the weekly average published Monday will reveal a wider gap. Regardless, cutout values reflect the ongoing demand and its performance relative to the 2014 benchmark will be closely watched. Canary in the coalmine? While the net value of the cutout remains near historical highs, there is some variability in the primals. Ribs, which are still at unprecedented highs (\$240.93) saw a sharp decline this week and are \$52.15 off the highs seen two weeks ago. The primal is not responsible for a large component of the net value of the cutout, but it will be closely watched as a proxy for demand on a popular grilling item. Having said that, loins, butts, picnics, and bellies are still making weekly gains while hams remain relatively neutral. Lean hog futures have been carving out a bit of a top in the nearbys over the past four sessions but that is not to say a correction or trend reversal has been established yet. Recall that in early April and early May weakness also developed which merely corrected higher later in the respective months. While the market feels a bit fatigued after the impressive run up that developed late last year, there could still be some more upside potential. That could be challenging if exports remain where they are, China continues to purchase only 'modest' amounts of pork, and the cutout starts to soften but so far there is not indication that domestic demand is falling notably other than in the rib primal as noted above. Futures values remain historically high in the meantime.

US soybean futures opened lower this morning. Yesterday's WASDE report was considered bearish relative to pre-report expectations. Old crop ending stocks were pegged at 135 million bu. against a 122 million bu. average pre-report guess and 120 million bu. in the May report. New crop ending stocks were estimated 155 million bu. compared to 140 million bu. last month and an average 146 million bu. analyst estimate ahead of the report.

US corn futures opened lower this morning. Ending stocks of US corn were lowered relative to the May WASDE report and pre-report estimates in both crop years. The USDA pegged carryout for 2020/21 at 1.107 billion bu, and 2021/22 at 1.357 billion bu. in the June report. Last month, old crop was estimated at 1.257 billion bu. with new crop at 1.507 billion bu.

Forward Range (at opening)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig 4	244.35 247.15	234.50 245.92	200.55 208.96	195.77 199.86	181.65 190.49	180.14 183.37	174.32 185.04	186.54 188.47	180.80 184.01

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