

# Hog Margin Outlook

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Tuesday, June 15, 2021

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<b>US Slaughter</b>	
479,000	Monday
457,000	Year Ago
<b>Daily Prices</b>	
WCB	\$132.28
National	\$118.03
Nat'l Cutout Adj	\$118.03
Daily Cutout	\$128.68
Signature 4	\$254.38
BP4/TCP4	\$254.38
HyLife Cash	\$270.28
HyLife Cutout	\$270.28
<b>BoC Rate (Noon) prev. day</b> \$1.2142 CAD / \$0.8236 USD	
<b>Cash Prices Week Ending</b>	
<b>June 12, 2021</b>	
Signature 4	244.41/110.86
h@ms Cash	242.41/109.96
HyLife Cash	261.88/118.79
HyLife Cutout	274.77/124.63
BP4/TCP4	238.50/108.18
OlyWest 2020	251.80/114.22
OlyWest 2021 (Cutout)	262.40/119.02
ISO Weans \$44.33 US Avg.	
Feeder Pigs \$70.64 US Avg.	

**Forward contract prices opened mixed this morning.** Daily US cash markets are mixed with the WCB and National regions making gains of \$1.87 and \$1.67 USD/cwt, respectively, while the National cutout-adjusted base is lower by \$1.26. Although the National region has a bit to go before reaching the psychological highs seen in 2014 (\$12.74), the daily WCB has for the first time eclipsed its respective 2014 level (weekly). There are still a few days left in the price determination period, but if the region continues its upward tack, the weekly base price could surpass the previous record this week. The National cutout-adjusted formula is seeing some pressure, or at least, some resistance. The daily net value of the cutout was lower again in the most recent USDA report with all primals except ribs lower than the previous day. The daily value of the carcass is now lower than its week-ago average base level which has not happened all that often in recent weeks. The last time the weekly average cutout value was lower than the previous week was week ending May 1 (marketing week 17). The data series will be closely watched for clues of softening demand – cutout values were approaching the 2014 record high and came within \$1.98 of the benchmark last week. Lean hog futures are seeing some softness and while the nearbys are gaining some footing, the deferreds are lower for the third consecutive trading session as of this writing. It is too early to suggest a 'top' is being defined or that a trend reversal is underway. However, there are some headwinds. While domestic demand remains exceptional, the weakening cutout value (if it develops into a larger trend) will provide resistance and while exports are still robust (with Mexico presently making up for some of the softness seen in China), exports net all regions will need to be maintained at present volumes to provide rationale for the market to maintain these price levels. While China is expected to enter the market more strongly in the latter half of the year, weakening demand from the region is expected to persist until July as producers pull hogs forward due to ASF challenges (increasing supplies), anecdotes of softening pork demand continue to make the rounds, and packer profitability (lower relative to previous levels) remain factors.

**US soymeal futures opened lower this morning.** While record temperatures and hot, dry weather across important growing regions is expected to persist for the remainder of the week, forecast rain in 'week 2' is nudging the trade lower. As well, there is talk the Biden administration may loosen some of the biofuels blending requirements for refiners which is seen as a bit of a policy shift vis-à-vis 'green energy'. For now, however, the weather remains the prominent concern for crop emergence.

**US corn futures opened lower this morning.** Like beans, US corn futures are lower as of this writing on ideas that forecast rain next week will arrive 'just in time' – if it does materialize. A private analytics firm initially suggested that US corn acres could increase by 5 million acres compared to the USDA's current acreage estimate, but that same firm has recently pared its projection back by 3 million acres. Regardless, more corn acres are presently anticipated.

Forward Range (at opening)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig 4	239.17 239.60	228.15 239.60	194.39 202.82	189.68 193.79	174.66 183.52	173.15 176.39	167.86 178.63	180.14 182.08	174.93 178.16

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