

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, June 16, 2021

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

US Slaughter

484,000 Tuesday
460,000 Year Ago

Daily Prices

WCB \$131.20
National \$117.68
Nat'l Cutout Adj \$117.61
Daily Cutout \$122.51
Signature 4 \$254.59
BP4/TCP4 \$254.59
HyLife Cash \$269.19
HyLife Cutout \$269.19

BoC Rate (Noon) prev. day
\$1.2188 CAD / \$0.8205 USD

Cash Prices Week Ending

June 12, 2021

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 lower this morning. Daily US cash markets are technically lower than the previous day, but the daily values are still higher compared to the previous week's average base price. The trend remains higher for now. The domestic demand piece of the puzzle became a bit clearer with recent data showing consumer spending on food increased beyond pre-pandemic levels in the Month of May. The biggest feature that stood out was that restaurant and foodservice spending outpaced retail which was a bit of a surprise. While food away from home purchases have trended higher than grocery spending since about 2011, spending on food away from home plummeted during the height of Covid-19-related restrictions and retail (grocery) sales skyrocketed. Partial openings, a pivot to takeout and delivery options, and some food inflation is behind the move that saw net May spending at \$133 billion USD compared to the \$125 billion pre-pandemic level – May's \$133 billion value also outpaced the forward-looking trend. Approximately \$67.3 billion was spent in the foodservice sector while retail came in at almost \$66 billion. Initially, the recovery in restaurant and foodservice spending was expected to take much longer and the extent to which the relationship between the two 'sectors' remains this tight or even sustainable remains to be seen, but May's values were impressive nonetheless and underscores how hot demand for all food items in the US presently is. While the data showed domestic demand to be quite robust in May, there is some concern regarding a trend reversal at some point and market watchers are closely watching for clues on direction. The cutout report issued yesterday saw a fairly large one-day pull back, led by bellies which were down by a whopping \$48.35 (!). One volatile day is not indicative of a trend, but lean hog futures are down this morning with the front two months locked limit low at times. Today's moves reflect an approximate 5.5% correction from the contract highs seen last week (July contract) but recall that the corrections in April and May reflected about a 6.5% and 5.0% move lower, respectively, before seeing support return once again. Cutout values and export volumes will be closely watched; the weekly export sales report will be released tomorrow morning before futures markets open.

US soy meal futures opened lower this morning. US soybean futures push lower this morning and for the sixth consecutive session in a row. While weather outlooks showing rain next week were behind some of the initial pressure, there are ideas that China releasing domestic stocks of state commodities to curb food inflation is also behind the move. There are expectations that China will once again enter the US market, but so far, purchases have reflected a more seasonal pattern. Tight domestic ending stocks and weather uncertainty are keeping the downside in check.

US corn futures opened higher this morning. Ongoing strength in demand, hot and dry temperatures this week (albeit with rain forecast further out) and strengthening energy prices (crude oi) are supportive to US corn futures which are trading higher as of this writing. There was talk of managed money selling in the market earlier which was behind the pressure seen earlier, but the market has recovered today and the nearby is approaching \$7.00 USD/bu. once again.

Forward Range
(at opening)

Jul Aug Sept Oct Nov Dec Jan Feb Mar

Maple Leaf
Sig 4

236.76 224.54 191.42 186.68 171.76 170.25 166.09 178.42 173.27
237.19 236.00 199.85 190.79 180.63 173.49 176.91 180.37 176.09

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