h@ms MARKETING SERVICES

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 17, 2021

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

US Slaughter	
483,000	Wednesday
464,000	Year Ago
Daily Prices	
WCB	$134.21
National	$117.49
Nat'l Cutout Adj	$117.44
Daily Cutout	$120.52
Signature 4	$254.24
BP4/TCP4	$254.24
HyLife Cash	$269.82
HyLife Cutout	$269.82
BoC Rate (Noon) prev. day $1.2191 CAD / $0.8202 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 mixed with the negotiated WCB region up $3.01 USD/cwt while both National variants are $0.19 lower relative to the previous day. The WCB continues to see ongoing support as packers bid aggressively for uncommitted hogs, but formula regions are seeing some pressure. Cutout values over the past few days have been experiencing some pull-back and while the butt primal's daily price is still higher than last week's average, all the others are moving lower so far this week. With only one more day in the price determination period, the net result will likely be a weekly average value more than $10 lower than the previous week. It is too early to tell if this is the beginning of a trend reversal, but the move is notable. Yesterday's futures selling which reached limit lows in all monitored contracts continued into this morning's session that was prompted, in part, by a large decline in the value of bellies. The net negative afternoon cutout report from yesterday and an export sales report published this morning that is merely 'ok' has kept the pressure on for now. Physical deliveries of US pork were good, coming in at 38,136 MT, but the 29,281 MT in the new net sales category is slightly below trendline and a cancellation of 400 MT by China is enough to curb momentum for now. What also stands out in terms of physical deliveries is that China appears to be drawing down on prior sales commitments and the absence of new commitments will be something to watch. An article appearing yesterday where state officials claim the Chinese pig herd grew by 23.5% in a year is being talked about with the usual suspicions, but regardless of anyone's opinion, China is simply not buying US pork at this time. Talk of softening pork demand (seasonal), low hog and pork prices, and low packer profitability are factors related to the behaviour. It is not all negative news, however. Mexico continues to offset China's 'absence' and while year to date physical deliveries are down 26% for China relative to the record 2020 marketing year, deliveries to Mexico are up 29%. Physical deliveries net all regions are up 1.4% relative to year ago. In sum, net exports to all regions remain robust, and it remains to be seen if China enters more aggressively when a domestic seasonal uptick in demand typically occurs. If Mexico 'backs off' for any reason, all else equal, and pressure remains on the cutout, markets could be poised for more downside. Recall, however, that futures values still remain amid record highs.*

US soymeal futures opened lower this morning. *Physical deliveries of US beans for export were a marketing year low at 148,334 MT, 47% lower than the previous reporting period and 68% below the five-year average. Contextually, this is not too surprising as a seasonal decline in deliveries for this time of year is typical, but it does stand in contrast with the record volumes seen at the start of the year. New net sales were likewise low and at the lower end of the seasonal range at 65,282 MT.*

US corn futures opened lower this morning. *Weekly exports of US corn remain amid record highs and 42% higher than the five-year average but a more-rapid-than-usual drawdown in current marketing year outstanding commitments is taking place. New net sales commitments were the second lowest on record for the marketing year and at 17,994 MT were 97% below the pace seen for the reporting period. The modest volume would be considered seasonal (albeit low), however, and the pace should pick up in late August assuming no market shocks or other externalities.*

Forward Range (at opening)	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig 4	234.18 234.62	222.55 234.14	189.21 197.74	184.61 188.76	169.61 178.59	168.08 171.36	163.66 174.60	176.14 178.11	171.25 174.54

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Some Important Phone Numbers
Main Office: 204-233-4991
Toll Free: 1-800-899-7675
Logistics: 204-235-2225
Risk Management: 204-235-2237

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