

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, July 9, 2021

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

US Slaughter	
465,000	Thursday
468,000	Year Ago
Daily Prices	
WCB	\$112.73
National	\$107.05
Nat'l Cutout Adj	\$107.05
Daily Cutout	\$116.89
Signature 4	\$238.28
BP4/TCP4	\$238.28
HyLife Cash	\$251.73
HyLife Cutout	\$251.73
<b>BoC Rate (Noon) prev. day</b> \$1.2540 CAD / \$0.7974 USD	
Cash Prices Week Ending	
July 10, 2021	
Signature 4	238.93/108.38
h@ms Cash	236.93/107.47
HyLife Cash	N/A
HyLife Cutout	N/A
BP4/TCP4	238.01/107.96
OlyWest 2020	245.30/111.27
OlyWest 2021 (Cutout)	248.70/112.81
ISO Weans	\$42.53 US Avg.
Feeder Pigs	\$63.34 US Avg.

**Forward contract prices opened lower this morning.** Weekly US base prices for week ending July 10 are mixed. The negotiated WCB region pushed incrementally lower (\$1.58 USD/cwt) while the formula regions varied relative to week-ago (National down \$0.28, National cutout-adjusted calculated later today expected to be up by a similar amount, and the USDA cutout-formula down \$0.14). Daily US cash prices are likewise mixed with no major moves observed. While counter-seasonal support is expected in the fourth quarter for a variety of reasons, among them relatively tight supply, post pandemic pent up demand surfacing, and ideas that China could still be 'needing' pork on seasonal demand and lingering ASF challenges, the June highs appear to be in the rearview mirror for now. The pork cutout is also off the June highs but appears to be settling in as variability in the cuts remains a feature of the complex while the trade reconciles what could be a 'new normal' in a post-Covid-19 marketing environment in the medium-term. Regardless, domestic demand remains strong with most analysts calling for relative strength in pricing heading into 2022. This morning's Export Sales report (delayed due to the American holiday on Monday) showed physical exports were down slightly compared to the previous reporting period (5.5%) but still considered good despite revealing a trend lower and more than 40% higher than the five-year average. New net sales, however, were much stronger and at 43,794 MT were the seventh highest committed volumes this year and notably higher than the previous reporting week. The 'heavy lifting' came from China, where 16,299 MT in new commitments were made, the fourth highest volume for the region this year. Mexico was again very solid and committed to 13,785 MT. Mexico is expected to remain relatively consistent, but the real wild card is China where inconsistency is typical. While officials claim that the hog herd has essentially recovered from ASF losses, news is surfacing of a regional ASF outbreak in Sichuan province where 30% of the herd (producing ~9% of the national total) is estimated to be affected - Sichuan is the largest pig producing province and officials will likely be actively attempting to contain it to the impacted region.

**US soymeal futures opened higher this morning.** Physical deliveries of US beans once again revealed a seasonal pattern shipping 221,150 MT in the reporting period. A slightly increasing trend heading into the 'big volume' season (usually developing in the fourth quarter) is a typical profile. New net sales were lacklustre, coming in 31% lower than the previous reporting period, over 80% lower than the five-year average, and the lowest volume for the marketing week going back to 2014. Like physical deliveries, low volumes at this time of year are expected.

**US corn futures opened lower this morning.** The USDA showed physical deliveries of US corn recovered somewhat compared to the previous reporting period and were up 13% over the previous week. The volume is heading into a more seasonal pattern but is still considered strong and ~25% higher than the average typically seen in the marketing week. New net sales were less robust and came in at the lower end of the seasonal range. The 173,177 MT in new commitments was ~48% lower than the five-year average for 'week 26'.

Forward Range (at opening)	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig 4	206.08 217.83	180.20 188.85	175.34 179.56	165.36 174.45	163.81 167.13	160.92 176.14	177.69 179.69	176.40 179.74

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