

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, July 14, 2021

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

US Slaughter

464,000	Tuesday
469,000	Year Ago

Daily Prices

WCB	\$116.04
National	\$107.81
Nat'l Cutout Adj	\$107.81
Daily Cutout	\$118.81
Signature 4	\$239.47
BP4/TCP4	\$239.47
HyLife Cash	\$253.43
HyLife Cutout	\$253.43

BoC Rate (Noon) prev. day
\$1.2514 CAD / \$0.7991 USD

Cash Prices Week Ending

July 10, 2021

Signature 4	238.93/108.38
h@ms Cash	236.93/107.47
HyLife Cash	252.80/114.67
HyLife Cutout	252.80/114.67
BP4/TCP4	238.01/107.96
OlyWest 2020	245.30/111.27
OlyWest 2021 (Cutout)	248.70/112.81

ISO Weans \$40.79 US Avg.

Feeder Pigs \$60.90 US Avg.

Forward contract prices opened higher this morning. Daily US cash prices are higher in all regions relative to the previous day. The moves are only moderately higher, however, and not yet indicative of a new trend as prices appear to be consolidating at present levels. Prices are notably high though; Using the National region as a benchmark, today's value is only 16% lower than witnessed in the same 2014 marketing week and will likely be hovering around that mark when the weekly price is calculated later tomorrow. It represents a sharp contrast to 2020 when the region saw its third lowest value for the marketing year responding to unprecedented industry disruption due to Covid-19-related plant issues. For now, the market remains supported on strong demand from all domestic and export channels which is expected to last into the first half of 2022. Lean hog futures are pricing in an average ~26% premium to the comparable five-year average cash benchmarks for 2022 contracts out to June which is considered very good value. While this is lower than the loftier levels seen in June of this year and much lower than seen in the 2014 marketing year, they still represent a good hedging opportunity for producers looking to secure price certainty ahead of what could be an uncertain time in the coming months. Considering ideas that processing capacity could be reached in the fourth quarter this year due to slower line speeds and the closure of the Smithfield plant in Virginia, demand could still be exceptional and price pressure would nonetheless materialize if hogs started to get backed up. The industry has handled capacity issues relatively well in the past, however, so any pressure would likely be temporary, all else equal. The point should not go unnoticed though, even as prices have been exceptional for the majority of 2021. To be clear, we are still suggesting that pricing will remain comparatively strong in the mid-term and may even see some counter seasonal support on post-pandemic, pent-up demand surfacing, especially as the market approaches the holiday season when more travelling will likely take place this year compared to last, but there are some headwinds to be aware about.

US soybean futures opened higher this morning. US soybean futures are seeing support for the fourth session in a row as the market digests the July WASDE report which typically takes a day or two to trade the new information. As well, hot dry weather persists lending to the support and although some rain is falling in South Dakota, Nebraska, and Iowa, the 15-day is looking drier with the Northern Plains really needing some moisture.

US corn futures opened higher this morning. Like beans, US corn futures are higher on weather news and ideas that the USDA, while lowering corn production estimates from Brazil in Monday's WASDE report, have still not yet properly accounted for the 'actual' damage that has been done to the crop. While the US export pace remains seasonal, it was revealed that China has imported 15.3 MMT of corn from all sources in the first half of the year so far which is over 300% higher than year ago.

Forward Range
(at opening)

	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig 4	218.15 229.25	192.24 200.89	187.07 191.28	175.47 184.56	173.92 177.25	171.04 183.52	185.07 187.06	181.46 184.78

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