Hog Margin Outlook
Meeting Your Marketing Needs

Thursday, August 23, 2018

Hog Prices: ↓↑   **Soymeal:** ↓
Corn: ↓   **CDN Dollar:** ↑

US Slaughter

469,000	Wednesday
449,000	Year Ago

Daily Prices

W. Corn Belt	$38.10
National	$53.16
Iowa/S. MN.	$38.11
ML Signature 5	$106.85
HyLife (prev. day)	$121.96
TCP/BP2	$106.85

BoC Rate (Noon) *prev. day*
$1.3016 CAD / $0.7683 USD

Cash Prices Week Ending August 18, 2018

Signature 3	103.74/47.06
Signature 4	138.80/62.96
Signature 5 Brandon	121.27/55.01
h@ms Cash	119.77/54.33
HyLife	134.60/61.05
TCP/BP2 Moose Jaw/Langley	135.74/61.57

2018 Top-Up Estimate

$4.84 ckg (call for details)

ISO Weans	$16.99	US Avg.
Feeder Pigs	$17.21	US Avg.

Forward contract prices opened mixed this morning. US cash markets were down nearly $1.20 USD/cwt in the Midwest yesterday with daily hog slaughter estimated at 469,000 hogs. While the pork carcass cut-out has also been weaker over the last several weeks, packers have outpaced the declines with their cash bids, resulting in a significant improvement in their operating margins. Packer margins are estimated to be near $40 USD/hog, nearly double the levels that were seen about six weeks ago. The USDA's Cold Storage report revealed no significant changes in total pork inventory from last month. Pork buyers maintained their buying practices over the last month (which includes stable pork belly usage for bacon production) which has essentially done nothing to reduce the belly inventory that is twice as large as year-ago levels. However, stocks of hams were up from last month by 12%, possibly reflecting slower sales due to the additional Mexican tariffs. After yesterday's sharp decline in the nearby contracts, lean hog futures opened mixed in this morning's trade. Producers without protection in the September – December timeframe should cover as much as 75% of their production at current prices.

Canadian delivered soymeal prices opened lower this morning. US soybean futures contracts continue to trade lower as the second round of US tariffs on Chinese goods are applied today. Chinese officials are expected to release an equal dollar-amount of tariffs on US goods soon. This is despite the fact that trade negotiators on both sides are currently in the US to lay the groundwork for a meeting later in the fall. The weather looks rainier for growing areas which should benefit the soybean crop. Pod counts are up 8% on average from last year according to the most recent information released by the ongoing crop tours. Markets are expected to be under pressure as a broad trend heading into harvest amid the sum of bearish news.

US corn futures opened lower this morning. Like beans, US corn futures find themselves in a downward trend as the end of the trading week approaches. The Pro Farmer Crop Tour is calling corn yields slightly lower than the USDA's current projections, but the general consensus is that the yields are quite good and a large crop is expected as tour 'results' are currently higher than last year's official numbers so far. Export sales came in 49% lower than previous week (and lower than expectations) casting more negativity over the trade and the ramping up of tariff walls between China and the US just adds to the negative tone. New tariffs on Chinese goods amounting to another $16 billion USD go into force today.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		119.03-119.85	118.67 120.79	114.51 125.56	113.57 117.26	121.84 135.29	137.51 139.62	140.44 145.93	147.46 155.29	155.36 167.86	166.41 179.02
Soymeal Wpg/S. Man Delivered	468	465	467	468	468						

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STRENGTH IN NUMBERS