

Hog Margin Outlook

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Thursday, September 20, 2018

For details call: (204)235-2237 or visit

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

US Slaughter	
434,000	Wednesday
457,000	Year Ago
Daily Prices	
W. Corn Belt	\$57.21
National	\$59.68
Iowa/S. MN.	\$57.29
ML Signature 5	\$136.46
HyLife (prev. day)	\$136.47
TCP/BP2	\$136.46
BoC Rate (Noon) prev. day	
\$1.2947 CAD / \$0.7724 USD	
Cash Prices Week Ending September 15, 2018	
Signature 3	112.30/50.94
Signature 4	123.35/55.95
Signature 5 Brandon	117.83/53.45
h@ms Cash	116.33/52.77
HyLife	124.45/56.45
TCP/BP2 Moose Jaw/Langley	105.19/47.71
2018 Top-Up Estimate	
\$5.66 ckg (call for details)	
ISO Weans	\$28.11 US Avg.
Feeder Pigs	\$31.32 US Avg.

Forward contract prices opened mixed this morning. US cash markets continued their sharply higher move as negotiated prices gained more than \$3.00 USD/cwt in yesterday's trade, representing a recovery of more than 50% in value since the start of September. While the pork carcass cut-out has not experienced the same level of support, the benchmark price for wholesale pork has appreciated 16% in a timeframe that does not normally see a bullish trend. The October and December lean hog futures contracts have responded to the cash market strength by gaining about 10% of their value, but the recent (modest) gains suggests the market is less optimistic about the cash market in the coming months. The futures market could see significant influence from the success or failure of NAFTA talks today, as the US and Mexico have already agreed on principles for a bilateral agreement and the US government has threatened to exclude Canada if a deal cannot be reached by the end of this month. Producers should cover a large portion of their price risk for what remains of 2018, but can set aggressive targets for the spring and summer of 2019 at this time.

Canadian delivered soymeal prices opened higher this morning. The nearby soybean futures contract closed higher than the past two sessions following short covering and repositioning as suspected in yesterday's comments. However, the market has once again come under pressure as yesterday's upward momentum lost steam. The fundamental picture is simply too bearish and, short covering notwithstanding, the trade really needs to see some good news on the demand side (i.e. improving trade talks) in order for a sustained rally to develop. Unfortunately, the Chinese/USA trading relationship is deteriorating as a new round of tariffs has been announced by the US and there are rumors the Chinese will not meet with Secretary Mnuchin (which would have been positive) if they are put into place.

US corn futures opened higher this morning. Unlike beans, US corn futures are continuing the momentum seen yesterday that is also believed to be in large part due to short covering activity. US corn futures still have a way to go until they are out of the contract-lows, but the trade found more support this morning on ideas cheap US corn is making its way into the export market. While many in the US comment on due dates approaching quickly on NAFTA (even suggesting that the language on the new deal needs to be in place by this Friday), the Canadian negotiating team is in no rush; any 'deadline' is a self-imposed US construct aimed at pressuring Canada with no legal consequence. That is, until the US administration cites section 232 again (i.e. national security) and places tariffs on Canadian autos as President Trump has threatened.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		136.78 137.64	125.04 132.20	124.65 128.29	124.85 141.43	144.67 147.92	144.91 150.35	152.02 159.21	157.82 169.76	168.21 180.84	176.68 177.88	172.11 177.83
Soymeal Wpg/S.Man	441	431	435	435	40	439	439					

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STRENGTH IN NUMBERS

