

# Hog Margin Outlook

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Wednesday, October 10, 2018

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

**Forward contract prices opened higher this morning.** US cash markets continue their steady trend with both formula and negotiated prices holding their value in most reporting regions. So far this week, daily US hog slaughter has averaged about 473,000 hogs, but this number is poised to move higher in coming weeks as the second shift of the Seaboard/Triumph Foods plant in Sioux City has now started and is ramping up production. Packer profitability remains good with the spread between hog purchases and pork sales running near \$15 USD/cwt. Most of the 2019 lean hog futures contracts hit new contract highs this morning, but gains continue to be cautious as tariffs on trade to Mexico and China continue to impede sales. The latest monthly US export sales data was released yesterday and showed a reduction in pork trade volume from year-ago levels. Exports to Japan and Korea were up 7% and 30% respectively, but sales volumes to Mexico and China were down 5% and 21% compared to last year. Considering the sharp decline in hog and pork prices over the month of August, it is somewhat surprising that export sales were not able to match year ago levels.

**Canadian delivered soymeal prices opened even this morning.** Although harvest has slowed in some areas due to weather related delays, the US soybean futures market is under pressure this morning. Yesterday's holiday-delayed Crop Progress report somewhat confirmed the slower pace coming in at 32% compared to the market expectation of 35%. If the weather over the last weekend contributed to more delays, a slower pace will be expected next week as well. In the meantime, geopolitical concerns are once again front and centre as President Trump has threatened to add tariffs to another \$200+ billion in Chinese goods. If the president makes good on the threat, the new round of tariffs would cover close to all Chinese products entering the USA.

**US corn futures opened lower this morning.** US corn futures are following the bean trade lower this morning as the tariff talk ramps up once again. Crop progress came in at 34% complete which was in line with the pre-report expectations. There was an announcement by the President Trump that would see E-15 ethanol produced in all 12 months - there is a current ban on E-15 production during the summer on concerns of smog during the hot days. While anything that sees the demand side increase should support the market, there are some contrarians suggesting there won't be as much of an increase in overall net corn usage even if the ban is lifted.

US Slaughter	
473,000	Tuesday
465,000	Year Ago
Daily Prices	
W. Corn Belt	\$63.69
National	\$70.48
Iowa/S. MN.	\$63.39
ML Signature 5	\$156.78
HyLife (prev. day)	\$160.46
TCP/BP2	\$156.78
<b>BoC Rate (Noon) prev. day</b> \$1.2965 CAD / \$0.7713 USD	
Cash Prices Week Ending October 6, 2018	
Signature 3	149.08/67.62
Signature 4	157.62/71.50
Signature 5 Brandon	153.35/69.56
h@ms Cash	151.85/68.88
HyLife	156.74/71.10
TCP/BP2 Moose Jaw/Langley	148.55/67.38
2018 Top-Up Estimate	
\$5.43 ckg (call for details)	
ISO Weans	\$35.23 US Avg.
Feeder Pigs	\$40.34 US Avg.

Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		125.26 134.62	125.80 128.54	126.57 143.25	146.51 149.78	148.99 154.47	155.97 163.19	163.30 175.30	173.74 186.44	181.43.1 83.91	176.73 182.47
Soymeal Wpg/S.Man	436	441	441	446	444	444					

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