



# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 31 2018

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

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

**Forward contract prices opened mixed this morning.** US cash markets moved lower in last week's trade, losing approximately \$2.00 USD/cwt while plants were idle for a day and a half during last week's Christmas holiday. Wholesale pork markets stayed firm with the pork carcass cut-out maintaining a price of \$70.50 USD/cwt. Ham and loin prices were down approximately 15% from year ago levels while belly prices have provided an offsetting positive influence and are finishing the year about 15% higher. Lean hog futures opened this morning with the nearby contracts making gains but summer month contracts trading near-steady. Higher prices in the summer would likely be contingent on increased imports from China due to the effects of African Swine Fever, but traders remain skeptical of the impact of the disease over this (short) timeframe. The Canadian dollar has traded in a narrow channel and has lost 5 cents against the US Dollar over the last three months. The prospect of lower economic growth, and the likelihood of a widening spread in interest rates between the two countries, is the primary reason for the decline in the Canadian dollar that has improved Canadian hog prices by about \$8.00 CAD/kg.

**Canadian delivered soymeal prices opened higher this morning.** The market will likely see some lower trading volumes on what is to be the last full trading day in 2018; many traders have taken the day off for an extended holiday. Looking forward, more volatility is in the forecast. Massive speculation regarding if (IF!) China will continue purchasing beans is front-and-centre. However, the next round of tariffs (raising the current 10% rate on approx. \$250 billion in Chinese goods to 25%) goes into effect January 1 and there has been no indication that this tack is to be pared back. Have the recent purchases been strategic ahead of the new tariff rates? It remains to be seen. And while news of US trade officials meeting in China is a positive sign, there is a lot of headwind before the bean trade returns to normal for the two largest economies in the world.

**US corn futures opened lower this morning.** US corn futures are following beans lower on the last full trading day of the year. While exports and domestic demand has been more 'normal' for the US corn trade comparatively speaking, there are some headwinds approaching. The bean complex has been a peripheral influence on the grains and oilseeds trade generally, and there has been some talk that underperforming ethanol processors could extend maintenance shut-downs amid poor margins. Recall that approximately one third of the US corn crop is used in ethanol processing year over year.

US Slaughter	
1.884 mil.	Last Week
2.089 mil.	Year Ago
Daily Prices	
W. Corn Belt	\$44.92
National	\$57.03
Iowa/S. MN.	\$44.93
ML Signature 5	\$125.18
HyLife (prev. day)	\$136.93
TCP/BP2	\$125.18
<b>BoC Rate (Noon) prev. day</b> \$1.3638 CAD / \$0.7332 USD	
Cash Prices Week Ending December 29th, 2018	
Signature 3	109.94/49.87
Signature 4	136.66/61.99
Signature 5	123.30/55.93
Brandon	
h@ms Cash	134.49/61.00
HyLife	135.99/61.68
TCP/BP2	124.54/56.49
Moose Jaw/Langley	
2018 Top-Up Estimate	
\$6.51 ckg (call for details)	
ISO Weans \$66.67 US Avg.	
Feeder Pigs \$70.72 US Avg.	

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5			141.70 145.14	146.27 152.05	153.57 161.18	165.65 178.24	181.19 194.37	189.35 192.09	179.42 193.88	161.33 168.64	154.03 157.77
Soymeal Wpg/S.Man	470	470	469	465	472	472					

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Headingley Main Office	h@ms Holiday Schedule 2018/2019	Risk Management (all times Central)
OPEN	Monday, December 24	Closed one hour early (11:30)
Closed	Tuesday, December 25	Closed
Closed	Wednesday, December 26	Closed
OPEN	Monday December 31	Open Regular hours (9:30-12:30)
Closed	Tuesday, January 1	Closed