

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

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 11, 2019

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Forward contract prices opened mostly lower this morning. US cash markets are finishing the first full trading week of 2019 on a mixed note; ISM and WCB regions were down \$0.94 and \$0.40 USD/cwt respectively while the National region came in \$0.78 higher than the previous day. The move is a departure from the recent trend that showed all reporting regions rising in level since the beginning of 2019. A recent report published this morning shows that the ham primal is currently priced at the lowest level since October 2016 and is well off the average pace to start the year. Mexican pork tariffs (as a response to US imposed steel and aluminum tariffs) are cited as rationale for the drop that, while impacting the bottom line, still sees robust export activity due to the price drop that, in some cases, offsets the level of the tariffs in the Mexican market. Other markets, such as South Korea, are simply benefiting from the lower price; recall hams make up approximately 25-30% of the value of the carcass. Lean hog futures are finishing the week off on a lower note and all futures contracts are lower at the opening bell. A lack of increased African Swine Fever-related demand appears to be influencing the market as participants wait for more news on that front. While the disease appears to be spreading in China (and parts of the EU where the wild boar population is an issue), the US has not seen any ASF-related increase in demand for US pork at this time.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are showing some strength to finish the week after yesterday's move lower. CONAB lowered production estimates as dry weather starts to take a toll in the southern areas of Brazil. Official production is now pegged at 118.8 MMT representing an approximate 1.3 MMT drop from the previous estimate. The degree of the adjustment, however, was lower than market expectations, hence the bearish reaction seen yesterday. US supply and demand estimates are suspended until the US federal government reopens the department responsible for the WASDE report. It was supposed to be released today.

US corn futures opened higher this morning. US corn futures are following beans lower in a move that appears more technical than fundamental, although corn market participants are optimistic that the recent China/USA trade talks could develop into more corn sales to China. There is talk Chinese officials have discussed corn purchases with US officials and China has recently announced approvals of some GMO varieties for import that were previously banned. Hard sales and export numbers remain to be seen, however, and even if sales take place in the meantime, the numbers will not be published until the US government shutdown is over.

US Slaughter	
477,000	Friday
440,000	Year Ago
Daily Prices	
W. Corn Belt	\$51.56
National	\$59.29
Iowa/S. MN.	\$51.10
ML Signature 5	\$132.18
HyLife (prev. day)	\$137.97
TCP/BP2	\$132.18
BoC Rate (Noon) prev. day \$1.3234 CAD / \$0.7556 USD	
Cash Prices Week Ending January 12th, 2019	
Signature 3	123.39/55.97
Signature 4	137.41/62.33
Signature 5 Brandon	130.40/59.15
h@ms Cash	135.41/61.42
HyLife	N/A
TCP/BP2 Moose Jaw/Langley	126.38/57.33
2018 Top-Up Value (unofficial) \$6.50/ckg (call for details)	
ISO Weans \$65.00 US Avg.	
Feeder Pigs \$72.57 US Avg.	

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		141.41 142.37	143.20 147.43	148.67 154.28	154.83 167.90	171.48 184.48	181.31 184.21	172.50 182.71	156.72 163.34	151.04 154.79
Soymeal Wpg/S.Man	468	466	465	471	471	479				

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