

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Forward contract prices opened lower this morning. US cash markets are mixed to start the third marketing week of 2019. The ISM and WCB regions are \$0.37 and \$0.97 USD/cwt lower while the National region is up \$0.14 USD over the previous day. Large supplies and a weak cut-out are factors contributing to the pressure where a 5.1% increase in slaughter levels over last year was observed last week. On the cut-out side, market participants are noting that most primal cuts are lower relative to the average price pace normally seen at this time of year. While bellies are a decent performer to start 2019, the rest of the primals are at lows going back five years and under the three-year average pace. Lean hog futures are lower to start the trading week despite news from China over the weekend of more African Swine Fever outbreaks bringing the total to 120 official locations so far. Market watchers outside of China generally think the official numbers are understated, but the consensus is the disease is a major problem for Chinese farmers, packers, and consumers. The unknowns include the degree to which Chinese demand necessitates imports to fill their domestic production void. Theoretically, China needs to import pork to make up for the growing shortfall. However, consumer sentiment, competing meat uptake, government actions, and geopolitics are all in play. There are a lot of moving parts, and so far, there is no evidence US pork has moved in to fill any void anywhere.

Canadian delivered soymeal prices opened lower this morning.

As the US government shutdown continues, the market is increasingly looking to the private sector and other official agencies for ideas on direction. Currently, Brazil and South America, generally, have been a focus as the USDA's WASDE report came and went without release last week. Areas of Argentina are dealing with wetter than ideal weather in some locations while Brazil's dryer than usual weather is creating different problems. An overview of production estimates (Brazil) now shows between 115.7 MMT and 118.8 MMT from private and state reporting agencies whereas 120 MMT or more was expected at the beginning of the season.

US corn futures opened higher this morning.

Early action in the US corn futures trade has moved the market to almost exactly the middle of the recently established range to start the week. To date, US corn activity has been typical of other years except for ideas that some ethanol plants are shutting down longer than normal (or shuttering) due to low margins. Export markets, however, have remained relatively stable and US corn is making it to the global market. However, the US government shutdown is starting to have an impact on reports (especially export data) and there is initial talk this problem could start to have a greater impact relatively soon.

US Slaughter	
2.565 mil.	Last Week
2.440 mil.	Year Ago
Daily Prices	
W. Corn Belt	\$50.59
National	\$59.43
Iowa/S. MN.	\$50.73
ML Signature 5	\$131.73
HyLife (prev. day)	\$138.42
TCP/BP2	\$131.73
BoC Rate (Noon) prev. day \$1.3259 CAD / \$0.7542 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	137.26/62.26
TCP/BP2	126.38/57.33
Moose Jaw/Langley	
2018 Top-Up Value (unofficial) \$6.50/ckg (call for details)	
ISO Weans \$63.77 US Avg.	
Feeder Pigs \$71.59 US Avg.	

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		138.33 139.33	142.47 146.50	147.98 153.59	152.11 165.19	168.77 181.79	178.62 181.52	169.88 180.21	154.09 160.71	148.36 152.12
Soymeal Wpg/S.Man	462	461	459	465	465	474				

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