

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 25, 2019

For details call: (204)235-2237 or visit
www.hamsmarketing.ca

US Slaughter

474,000 Thursday

465,000 Year Ago

Daily Prices

Iowa/S. MN. \$51.47

W. Corn Belt \$51.33

National \$60.95

ML Signature 5 \$135.03

HyLife (prev. day) \$143.19

TCP/BP2 \$135.03

BoC Rate (Noon) prev. day

\$1.3351 CAD / \$0.7490 USD

Cash Prices Week Ending January 26th, 2019

Signature 3 127.77/57.96

Signature 4 143.78/65.22

Signature 5 135.77/61.58

Brandon

h@ms Cash 141.78/64.31

HyLife N/A

TCP/BP2 133.67/60.63

Moose Jaw/Langley

BP4/TCP4 141.83/64.33

Moose Jaw/Langley

2018 Top-Up Value (unofficial)

\$6.50/ckg (call for details)

ISO Weans \$60.86 US Avg.

Feeder Pigs \$69.81 US Avg.

Forward contract prices opened lower this morning. US cash markets are lower to finish the week. The ISM, WCB and National reporting regions were \$1.34, \$1.46, and \$0.12 USD/cwt lower, respectively, compared to the previous session. Mounting concerns on domestic consumer ability to push demand and lingering export peculiarities are in part being cited as rationale for the pressure. The US pork cut-out came in lower again this week with all primals under pressure except for ribs. The all-important ham primal (comprising about 25% of the carcass value) led the carcass lower, and bellies (\$1.54 USD/cwt lower) appear to have made their seasonal turn a bit ahead of the trend. The 5-year average price trend for bellies shows some weakness near the beginning of February, but yesterday's USDA report suggests that development occurred last week. Lean hog futures gapped lower this morning and are continuing the with bearish trend. The China trade file is increasingly convoluted and mixed messages are coming from what would be considered official sources in the US administration. The market is subsequently waiting for more concrete evidence that progress on China and pork flow due to ASF is being made, and/or that the Mexican pork tariffs are any closer to being lifted. While nothing official on the Mexico file has been put forward, rumors were circulating this week that a resolution to the steel and aluminum tariff issue (and subsequently, the pork tariff issue) could be underway in approximately three months' time. We would like to stress, this is an unsubstantiated rumor. Meanwhile, a higher Canadian dollar this morning is adding more pressure to the Canadian forward contract prices at the open.

Canadian delivered soymeal prices opened lower this morning.

Mixed messages from official sources on China trade talk progress is overshadowing any concerns with S. American production. South American weather has been challenging (too dry in areas of Brazil and too wet in areas of Argentina) and due to a partial lack of domestic information, the market has been watching the region closely for direction. The prospect of normalizing the soybean pipeline to China, however, would have a more direct impact on the market and, unfortunately, the path forward is less clear than ever with some official saying progress is being made while Secretary of Commerce, Wilbur Ross, has said publicly the two sides are "miles and miles" apart on some substantial issues.

US corn futures opened higher this morning.

US corn futures are two sided and choppy reflecting the information that is being provided on a daily basis. The announcement that China could commit to up to 12 MMT of corn would normally be supportive but the progress on the China trade file is anything but certain and there is word coming out that President Trump is unlikely to compromise much on the systemic issues such as technology transfers and intellectual property rights. The trade imbalance is only one aspect of the conflict with China. March 2 has been stated as the 'hard deadline' to make a deal before the next round of tariffs on China go into effect although an agreement in principle would likely prevent an escalation.

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		135.52	131.16 135.39	136.65 142.24	148.08 161.13	164.71 177.69	178.37 181.29	171.54 181.22	155.65 162.31	148.72 152.47
Soymeal Wpg/S.Man	459	459	457	466	466	474				

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