

# Hog Margin Outlook

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Wednesday, February 6, 2019

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## US Slaughter

478,000 Tuesday  
462,000 Year Ago

### Daily Prices

Iowa/S. MN. \$49.93  
W. Corn Belt \$50.00  
National \$59.45

ML Signature 5 \$129.48  
HyLife (prev. day) \$137.34  
TCP/BP2 \$129.48  
BP4/TCP4 \$138.58

**BoC Rate (Noon) prev. day**  
\$1.3134 CAD / \$0.7614 USD

### Cash Prices Week Ending February 2nd, 2019

Signature 3 123.61/56.07  
Signature 4 140.88/63.90  
Signature 5 132.25/59.99  
h@ms Cash 138.88/63.00  
HyLife 138.98/63.04  
TCP/BP2 135.77/61.58  
BP4/TCP4 143.78/65.22

### 2018 Top-Up Value

\$6.50/ckg (call for details)

ISO Weans \$56.79 US Avg.

Feeder Pigs \$70.11 US Avg.

**Forward contract prices opened higher this morning.** US cash markets are mixed mid-week with ISM and WCB regions up at the same time the National region is down. The price movements are less than a quarter (USD/cwt) on either side compared to the previous day. Cash markets have yet to show any significant bias higher or lower, however, it should be noted that cash markets typically turn lower heading into the spring at approximately the end of February. Slaughter levels are being maintained at full schedules and the pork cut out is adding little incentive as it resides among five-year lows. Lean hog futures gave back the gains seen on Tuesday that initially stemmed from commercial buying and technical influences. Canadian forward contracts, however, continue to retain historical value for the fourth quarter timeframe and present a good-value hedging opportunity. Complicating matters, however, was news yesterday of a report from a well-respected analytical firm stating that the situation could turn 'extremely bullish' further out as ASF-related demand issues surface globally. For now, the market is not of this view, and in recent days, ASF premiums have been sold off in the absence of any concrete sales announcements or positive export data. The situation is dynamic and mostly speculative at this time, but if China does indeed enter the global market, price changes could be rapid and significant. For now, the market is taking a 'wait-and-see' approach.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures reversed course and are trading lower at the open. There was initial talk that the bean market could make a move toward \$9.90 USD/bu as it sees higher consecutive highs and lows over the course of the day. However, US bean supply is likely to keep any substantial upside in check despite Chinese buying intentions. Pre-WASDE report estimates show ending stocks at 936 million bu on average. The market will see the USDA's actual estimate this Friday, February 8.

**US corn futures opened lower this morning.** US corn futures are following beans lower and have maintained a sideways trend in the absence of news influencing it in any direction over the past dozen or so sessions. Most indicators are for pressure in the short to mid terms. Improving weather in Argentina could allow for the crop to get bigger and a large supply in the US is limiting the upside. Friday's WASDE report will provide some traders with new information that will be welcome following no January report.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		130.23 132.54	134.79 137.94	138.72 157.23	163.87 179.29	174.89 178.49	171.34 177.11	159.59 163.29	151.59 154.85	137.77 151.02	135.69 141.20
Soymeal Wpg/S.Man	451	449	458	458	467	467					

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