

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 8, 2019

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

| | |
|---------|----------|
| 462,000 | Thursday |
| 465,000 | Year Ago |

Daily Prices

| | |
|--------------|---------|
| Iowa/S. MN. | \$48.63 |
| W. Corn Belt | \$49.13 |
| National | \$59.20 |

| | |
|--------------------|----------|
| ML Signature 5 | \$129.62 |
| HyLife (prev. day) | \$137.44 |
| TCP/BP2 | \$129.62 |
| BP4/TCP4 | \$139.61 |

BoC Rate (Noon) prev. day
\$1.3285 CAD / \$0.7527 USD

Cash Prices Week Ending February 9, 2019

| | |
|-------------|--------------|
| Signature 3 | 120.01/54.44 |
| Signature 4 | 138.99/63.05 |
| Signature 5 | 129.50/58.74 |
| h@ms Cash | 136.99/62.14 |
| HyLife | N/A |
| TCP/BP2 | 132.25/59.99 |
| BP4/TCP4 | 140.88/63.90 |

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 lower this morning. US cash markets are closing lower to finish the week with all reporting regions coming in lower than the previous session. The tone in the marketplace is bearish and observing that daily slaughter came in approximately 17,000 head lower than previous day and 3,000 head lower than last year, there was some talk that weather could be limiting movements (as previously reported) or packers simply weren't sourcing supplies as aggressively as before. The day-over-day extent of the drop in slaughter numbers suggests it's an issue of weather-related animal movements (or maintenance issues, for example), and not indicative of a any trend. Bellies erased most of the previous two days of gains and led the cut out lower to finish the week. Lean hog futures moved another leg lower yesterday and the April contract breached technically oversold levels at least three times over the course of the session. The move lower is a bit curious because the same contract moved limit up by the close in one day last week. However, the market is simply not pricing in any production or supply losses due to ASF in China or Classical Swine Fever (CSF) in Japan and both situations appear to be getting worse. The China story is much more dramatic in terms of head loss. However, a good trading relationship with Japan and an established US presence in the Japanese marketplace could bode well for US pricing more swiftly assuming Japan turns to the USA to replace lost production. In the meantime, the technical set-up suggests a short-term correction higher may be looming, but any move higher will likely not be driven by fundamentals just yet.

Canadian delivered soymeal prices opened even this morning.

The first WASDE in two months will be released mid trade today and traders are taking last minute positions ahead of the release. Domestic and global changes will be watched closely as the US government shutdown prevented the release of the report last month. Pre-report estimates are coming in at 926 million bu in ending stocks for the US but there is talk adjustments to the export numbers could be revealed today. For S. America, Brazil production will be watched very closely, and the pre-market estimates suggest just under 117 MMT is possible although some commentators have suggested 112 MMT is more realistic.

US corn futures opened lower this morning. Like in the bean trade, US corn futures traders are awaiting the February WASDE report which, historically, is not that exciting of a report. However, the January report was not released, and the February report could be revealing. In the meantime, pre-report estimates on domestic ending stocks are coming in at 1.708 billion bu. The early morning trade is seeing some mild supportive action, but this is likely due to pre-report positioning.

| Forward Range (at opening) | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 126.65 128.98 | 131.24 134.42 | 136.09 154.71 | 161.40 176.92 | 172.16 175.78 | 170.49 174.47 | 156.00 162.74 | 150.78 154.06 | 137.88 151.21 | 135.79 141.33 |
| Soymeal Wpg/S.Man | 450 | 448 | 457 | 457 | 466 | 466 | | | | | |

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STRENGTH IN NUMBERS