

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, February 14, 2019

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

www.hamsmarketing.ca

US Slaughter

464,000 Wednesday
466,000 Year Ago

Daily Prices

Iowa/S. MN. \$48.25
W. Corn Belt \$47.97
National \$57.93

ML Signature 5 \$126.28
HyLife (prev. day) \$135.06
TCP/BP2 \$126.28
BP4/TCP4 \$136.13

BoC Rate (Noon) prev. day
\$1.3240 CAD / \$0.7553 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 137.70/62.46
TCP/BP2 132.25/59.99
BP4/TCP4 140.88/63.90

2018 Top-Up Value

\$6.50/ckg (call for details)

ISO Weans \$56.06 US Avg.

Feeder Pigs \$69.03 US Avg.

Forward contract prices opened mixed this morning. US cash markets are see-sawing once again and are coming in mixed when the three reporting regions are compared against one another. The market is struggling to make gains amid low cut-out values and a demand profile that has headway to make against the large supplies that are currently available and on the way. If consistent seasonal pressure has not yet developed (and the mixed cash profile would suggest it hasn't), it will likely develop soon as cash market pressure typically appears near the end of February. Following the turnaround seen Monday and some follow-through support yesterday, all lean hog futures contracts are trading lower at the open. The market has been performing lower than some expectations, but there really is no reason for it to show strength because there has been no clarity on the path forward for ASF-related issues or China/USA trade talks; Mexican pork tariffs remain firmly in place. However, despite all this uncertainty, fourth quarter futures contracts in USD are trading amid post-2014/15 closing highs and forward contracts in CAD currently represent good value relative to history. For example, the forward contract premium to the cash history is as follows: ~\$11 over the three-year average, ~\$6 over 2018, ~\$4 over 2017, and ~\$24 (!) CAD/ckg over 2016. If 2014 and 2015 are included in the analysis, forward contracts in Q4 are on pace (and only ~\$1 lower) with the five-year average. Even if China and/or Mexico influence a cash rally in Q4, current levels represent an excellent start for the unhedged producer's marketing program in Western Canada. Added value can be derived by 'going into' the latter months of Q3, starting as early as August.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower as delayed export numbers are showing levels ~23% lower than the average expectation. As well, the market is waiting for more news on the China/USA trading front. For now, South American weather has taken a back seat to the ongoing China/USA trade talks and there is news surfacing that Secretary of the US Treasury, Steve Mnuchin, will be in China and meeting with Chinese authorities on Friday.

US corn futures opened lower this morning. Recall that Thursdays are usually when the USDA's export sales report is released. However, the US government shutdown means that the data released today only reflects activity to week ending January 3. On that note, traders were disappointed to see values lower than the lowest pre-report expectation and lower than the Dec 27 report. The USDA has said it should be 'caught up' and back up-to-date on Friday February 22, but the recent numbers are painting a bearish picture.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		127.28 128.41	130.66 133.85	140.49 159.19	165.90 181.48	179.16 182.80	174.56 181.31	159.65 166.42	154.26 157.56	139.13 152.50	137.03 142.59
Soymeal Wpg/S.Man	452	450	459	459	468	468					

This bulletin is intended as a marketing tool for subscribed members only. Prices are not quotes and all pricing is subject to verification. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

h@ms Marketing Services will be closed

Monday, February 18 for Louis Riel Day in Manitoba/Family Day in Canada.
Forward contracting will be suspended and the HMO and Opening Price reports will not be published. Normal business resumes on Tuesday, February 19.