

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 25, 2019

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

www.hamsmarketing.ca

US Slaughter

2.512 mil. Last Week
2.392 mil. Year Ago

Daily Prices

Iowa/S. MN. \$46.30
W. Corn Belt \$46.22
National \$56.30

ML Signature 5 \$121.62
HyLife (prev. day) \$130.76
TCP/BP2 \$121.62
BP4/TCP4 \$131.65

BoC Rate (Noon) prev. day
\$1.3173 CAD / \$0.7591 USD

Cash Prices Week Ending February 23, 2019

Signature 3 114.58/51.97
Signature 4 134.38/60.95
Signature 5 124.48/56.46
h@ms Cash 132.38/60.05
HyLife N/A
TCP/BP2 127.48/57.82
BP4/TCP4 137.12/62.20

2018 Top-Up Value

\$6.50/ckg (call for details)

ISO Weans \$53.44 US Avg.

Feeder Pigs \$67.32 US Avg.

Forward contract prices opened lower this morning. US cash markets are starting the week off mixed as the ISM and WCB regions are up while the National reporting region is down by \$0.56 USD/cwt. The fundamentals have not changed and seasonality (which is for pressure to develop at this time of year) appears to be in place. The extent to which cash markets can rally off the lows right now appears limited in scope with the current marketing conditions in place and observing cash recoveries typically do not gain traction until about week 15 – the current marketing week is at week 9. Despite hopes on successful China/US trade talks and the spreading of ASF, lean hog futures gapped lower at the open this morning. Last week, support was seen throughout many of the futures contracts on a combination of technical buying at perceived lows and the optimism regarding China. However, there have been no indications that China is intending to purchase any additional US pork especially when the current tariffs are in place all the while the Mexican pork tariff is likewise in effect. Market watchers can likely expect volatility in the coming days and weeks, especially if a memorandum of understanding (MOU) or other agreement in principle is announced on the China/US trade talks. However, the supply side is still a current issue even without the added demand side (tariff) complications. In the meantime, this morning's move has all but erased the last week's gains and Canadian Q4 forward contract value, while still in place relatively speaking, has been clawed back.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are trading higher on ongoing China/US trade optimism. Word spread late last week that Chinese buyers could buy \$30 billion USD in 'agricultural products' and of that, another 10 MMT in soybeans were announced from the Oval Office. On the other hand, commitments are not considered guarantees and sales can be cancelled. If negotiators can be taken at their word, the 'extra' 10 MMT would be a boon to the trade. However, ending stocks currently sit at over 900 million bu and if the commitments are ignored, the US has supply problems once again.

US corn futures opened lower this morning. US corn futures are starting the week off with some pressure but haven't been able to gain enough momentum to break out of the mid-range. Ethanol production remains down relative to last year and earlier talk that China could buy 10 MMT of corn has faded into the background for now. While China has never been a large buyer of US corn historically, the announcement, if made good, would be somewhat supportive as it represents approximately 1/5 of total exports over the last two years. Recall, however, US domestic use comes in near 320 MMT (~12 billion bu.) meaning a 10 MMT announcement (that is not firm) will likely have minimal impact either way.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			116.40 123.15	126.85 152.44	159.08 175.54	171.79 173.80	169.31 173.38	155.71 162.26	150.47 153.73	138.27 151.61	136.19 141.69
Soymeal Wpg/S.Man	451	453	456	458	465	464					

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2019 District Meetings	Date	Time	Location
Swift Current	Tuesday, March 5	12:00 Noon	Coast Hotels - 905 North Service Road East, Swift Current
H.B. Marketing & MB West	Thursday, March 7	2:00 P.M.	Glesby Centre - 11-2nd St. NW, Portage La Prairie
Heartland Marketing District	Thursday, March 14	2:00 P.M.	Starbuck Community Hall - 25 Main Street, Starbuck
Manitoba East	Friday, March 15	12:00 Noon	Smitty's Restaurant - Clear Spring Centre, Steinbach