

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 26, 2019

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

www.hamsmarketing.ca

US Slaughter

367,000	Monday
464,000	Year Ago

Daily Prices

Iowa/S. MN.	\$45.91
W. Corn Belt	\$45.90
National	\$55.80

ML Signature 5	\$120.66
HyLife (prev. day)	\$129.36
TCP/BP2	\$120.66
BP4/TCP4	\$130.47

BoC Rate (Noon) prev. day
\$1.3174 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	132.67/60.18
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 mixed this morning. US cash markets continue to drift lower amid seasonality and the large amount of supply that is currently available as the path to export remains a challenge for now. Although the cash market typically sees weakness at this time of year, of note are the current values relative to history. For example, averaged over four years (i.e. ignoring the PEDv support seen in 2014), the National and WCB regions are 19% and 29% lower today (respectively) when identical marketing weeks are compared. This 'extra' weakness is likely a function of the very large supply base and the cut-out isn't helping matters while it continues to reside among the lows. If the historical trends hold, cash markets could move an additional 9-12% lower before seeing some strength return. Lower slaughter levels yesterday were weather related and not indicative of any trend. Nearby lean hog futures gapped higher at the open and have almost completely recovered from the losses seen yesterday. Volatility is expected until some resolution on trade deals are revealed. A cold storage report showing pork inventories at levels 3.1% higher than last year was also pressuring. In the meantime, longer term forward contract opportunity remains limited; nine-month Canadian forward contracts are near three-year cash averages, and they are lower than the values seen in 2017 and 2018 over identical timeframes. Fourth quarter values, however, represent good value for the unhedged producer and while they are not at the 'highs' seen a couple weeks ago, they are approximately \$10 CAD/kg higher than the three-year cash averages for all programs in Western Canada.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures were down double-digits at the open as talk is making the rounds that the market is disappointed Chinese buyers have not yet 'made good' on the Oval Office commitment to start buying the additional 10 MMT that were announced just the other day. If the rumor is true, it likely reinforces the notion of a jittery market that is desperate for any news on direction. As the number one customer of US export beans, China news/rumors are unlikely to be ignored and the market is very aware that Brazil is harvesting.

US corn futures opened lower this morning. US corn futures are following beans lower even as the news being circulated is more bullish in nature. There are a lot of 'what if' scenarios currently being bandied about including ideas that the US 'may have' sold a few cargoes of corn to China and that China 'may' become a 'significant purchaser' of ethanol. 'If' China purchases more ethanol, the US balance sheet 'could' be tightened up. While these stories circulate in traditional and social media, there are growing numbers that simply want the drama to end and to see trading relations normalized.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			120.33 127.11	126.65 152.33	158.98 175.51	170.59 172.61	168.34 172.42	154.08 160.64	149.27 152.54	137.06 150.45	134.97 140.49
Soymeal Wpg/S.Man	446	447	450	453	460	459					

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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