

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 2, 2019

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

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US Slaughter

474,000 Wednesday
461,000 Year Ago

Daily Prices

Iowa/S. MN. \$81.57
W. Corn Belt \$81.37
National \$82.16

ML Signature 5 \$197.87
HyLife (prev. day) \$194.10
TCP/BP2 \$197.87
BP4/TCP4 \$195.65

BoC Rate (Noon) prev. day
\$1.3416 CAD / \$0.7454 USD

Cash Prices Week Ending April 27, 2019

Signature 3 200.35/90.88
Signature 4 194.53/88.24
Signature 5 197.44/89.56
h@ms Cash 192.53/87.33
HyLife 193.67/87.85
TCP/BP2 189.41/85.92
BP4/TCP4 188.08/85.31

Cumulative Top-Up Estimate
\$4.91 CAD/ckg

ISO Weans \$65.19 US Avg.

Feeder Pigs \$96.35 US Avg.

Forward contract prices are higher this morning. US cash markets maintain the choppy pattern seen over the past couple sessions and are higher relative to previous day. The move represents a 'reversal' of the trend over the past two days that saw some pressure on the cash market. Hog weights are hovering around 2018 levels suggesting that the amount of pork in the marketplace could be less than expected earlier. This stands in contrast to earlier ideas that heavier weights combined with larger slaughter numbers were contributing to a larger percent change of pork available year over year. To be sure, slaughter numbers are still above year ago, but weights are lower. Lean hog futures showed significant strength yesterday and all the contract offered in 2019 reached 'limit up' levels once again. The amount of limit up (or down) moves seen recently is unprecedented in recent memory and reflects the volatility in the marketplace that is expected to be a feature of the trade in the short-to-mid terms. Meanwhile, the early morning Export Sales report by the USDA's Foreign Agriculture Service (FAS) showed that while China did take delivery of the second largest volume of US pork per import destination for week ending April 25, no new sales commitments were made last week(!). Why? Simply put, China is well supplied for now. There are thoughts a lot of meat went into cold storage as producers 'pulled forward' animals for slaughter in China to get ahead of ASF (especially while no government assistance for animal loss was being paid). A potentially contaminated carcass currently in cold storage will create its own problems further out. Regardless, the general consensus is that China will not really need pork supplied from export markets until later in Q3 or early Q4 when cold storage stocks become drawn down or destroyed due to ASF contamination.

Canadian delivered forward contract prices are higher this morning. More pressure for the US soybean market surfaced this morning as the Export Sales report was released. Pre-report estimates ahead of the release suggested the market was looking for between 400,000 and 900,000 MT. The reported number came in just shy of the lower estimated range at 313,400 and while just under half of the volume was destined for China, the net number is still not nearly enough to reach the USDA's target for the current marketing year. Canadian meal prices, however, are higher this morning on a Canadian dollar move lower.

US corn futures are lower this morning. Like beans, US corn futures are under pressure this morning and not getting much help from export sales numbers. Pre report estimates ranged between 600,000 MT and 1.1 MMT but the report, again like beans, came in underneath the lower end estimate at 586,500 MT. The corn market is languishing amid contract lows and will need a positive demand story (or a large reduction in supply) in order to spark new buying activity.

| Forward Range (at opening) | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|-------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 210.85 217.27 | 215.89 217.83 | 208.02 218.80 | 199.67 205.53 | 195.28 200.18 | 183.25 194.24 | 179.46 186.46 | 178.86 189.75 | 192.28 193.56 |
| Soymeal Wpg/S.Man | 443 | 448 | 447 | 452 | 454 | 455 | | | | |

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STRENGTH IN NUMBERS

