

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, May 6, 2019

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

www.hamsmarketing.ca

US Slaughter

2.382 mil. Last Week
2.324 mil. Year Ago

Daily Prices

Iowa/S. MN. \$81.50
W. Corn Belt \$80.40
National \$82.08

ML Signature 5 \$196.33
HyLife (prev. day) \$194.46
TCP/BP2 \$196.33
BP4/TCP4 \$195.64

BoC Rate (Noon) prev. day
\$1.3429 CAD / \$0.7450 USD

Cash Prices Week Ending May 4, 2019

Signature 3 198.94/90.24
Signature 4 196.24/89.01
Signature 5 197.59/89.63
h@ms Cash 194.24/88.11
HyLife 194.42/88.19
TCP/BP2 197.44/89.56
BP4/TCP4 194.53/88.24

Cumulative Top-Up Estimate

\$4.55 CAD/ckg

ISO Weans \$63.16 US Avg.
Feeder Pigs \$90.54 US Avg.

Forward contract prices are lower this morning. US cash markets are moderating from the previous trajectory higher to start the week. While the cash markets were mixed (ISM and WCB lower; National slightly higher), they have 'backed off' and represent a departure from the previous cash strength that saw a premium approaching 40% (and over in some cases) relative to the average historical trend. Today, assuming that the values remain at or near current levels, that premium will be closer to 17% on average by the end of the week. To be sure, prices are still higher relative to the historical averages, but they have lost a bit of the momentum seen earlier. Lean hog futures swiftly reached limit lows to start the week with all 2019 contracts reaching the \$0.03 cent (USD/lb.) daily limit set by the CME very shortly after the open. Today's rationale for the move is likely closely related to ideas that a souring of the USA/China relationship amid trade talks has (re)surfaced. Over the weekend, President Trump announced that he would increase the tariff rate to 25% from 10% on \$200 billion of Chinese goods this Friday (a threat that was previously in place but removed in March). Threats of additional tariffs on an additional \$325 billion were also reported, which would then basically cover 'everything' coming out of China. Several news outlets cited his displeasure with the pace of the talks and the apparent lack of progress on addressing current irritants as rationale for the announcements. Regardless of any pork or protein shortage in China, global, or otherwise, ideas that tariffs could be increased, hostilities could escalate, global GDP numbers could come in lower than expectations, and ideas that the USA may not be considered a trusted trade partner with China in matters involving food security (among others) are all weighing on the market.

Canadian delivered forward contract prices are lower this morning. Red is being seen across the board this morning as trade tensions between China and the USA heat up once again. As mentioned above, the news that President Trump is threatening to increase tariffs on China again as leverage is weighing on the market. This is not particularly good news for beans that were looking for some progress on the talks in order to clear some of the old crop product. USDA reports will be released this week (crop progress and export sales for example), but there are thoughts they will have very little impact while the threat of more tariffs looms.

US corn futures are lower this morning. Like other commodities this morning, US corn futures are being influenced lower by escalating tensions between China and the USA on trade. This story will likely dominate the market until more certainty is revealed. Over the weekend the press reported that trade meeting in Washington was off again/on again as reporters and analysts scrambled to figure out the fallout from the recent announcement. The situation is dynamic, and the news will likely change over the next couple days.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #5		204.15 208.16	205.50 207.44	198.74 209.94	190.38 196.25	186.06 190.97	173.10 184.10	169.30 176.32	169.27 180.19	182.72 184.00
Soymeal Wpg/S.Man	438	444	443	447	449	451				

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