

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 7, 2019

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

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US Slaughter

470,000 Monday
447,000 Year Ago

Daily Prices

Iowa/S. MN. \$80.55
W. Corn Belt \$80.19
National \$82.06

ML Signature 5 \$196.89
HyLife (prev. day) \$193.95
TCP/BP2 \$196.89
BP4/TCP4 \$194.00

BoC Rate (Noon) prev. day
\$1.3456 CAD / \$0.7432 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 remain mixed for the second time this week with the ISM region down \$0.95, WCB up \$0.15, and the National region down by \$0.02 USD/cwt. Slaughter numbers remain near the upper end of the new normal on a per day basis and last week's kill came in at 2.4% higher than same time last year. There is evidence packer margins are backing off somewhat especially observing the rapid increase in hog value in March relative to the more modest increase in the value of the cut-out. An 'early' spring/summer rally was exacerbated by ideas that export demand would be more intense this year, but this expected development is proving to be more elusive for now. On that note, lean hog futures continue to see pressure for the second day in a row following yesterday's session that saw all the 2019 contracts lock limit low for most of the session and close at the limit low on the day. When that happens, expanded limits are triggered in the next session; from 3 to 4.5 cents/lb. (USD). While the market has moderated from the early morning push lower, the early trade saw action well into the expanded limits and even saw the June contract reach the expanded 4.5 cent limit low in the early minutes following the open. While pork will be demanded for export at some point, the optimism that a trade deal would make those purchases smoother evaporated over the weekend as trade tensions escalated following tweets from President Trump proclaiming he would increase tariff rates on China by this Friday. The USA is currently at a 50% tariff disadvantage relative to other competitors (62% tariff in total) and the general consensus is that China does not need US pork right now.

Canadian delivered forward contract prices are even this morning. US soybeans are moderating from the lows seen yesterday but the 'recovery' has been limited. Escalating traded tensions between China and the USA pressured prices lower yesterday which saw the nearby contract dip to contract closing lows (and even pushed lower earlier in the course of the session). Export sales and concerns around the upcoming planting pace are currently keeping more downside in check.

US corn futures are mixed this morning. Like beans, US corn futures are showing a bit of strength following the pressure seen yesterday. Unlike beans, the contract closing low was reached in the nearby corn contract over a week ago so there are thoughts that the corn trade could be probing the limits of a new range. In the meantime, a slower than average planting pace is keeping the downside in check which saw only 8% progress bringing the total planted estimate to 23% against a 46% five-year average.

| Forward Range (at opening) | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|-------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 198.71 202.72 | 200.29 201.98 | 195.51 205.57 | 187.14 193.01 | 182.80 187.71 | 171.06 180.26 | 167.26 174.28 | 167.57 180.74 | 181.82 183.10 |
| Soymeal Wpg/S.Man | 438 | 444 | 443 | 447 | 449 | 451 | | | | |

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