

Hog Margin Outlook

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Wednesday, May 8, 2019

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

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US Slaughter

472,000 Tuesday
463,000 Year Ago

Daily Prices

Iowa/S. MN. \$80.10
W. Corn Belt \$79.99
National \$82.10

ML Signature 5 \$196.99
HyLife (prev. day) \$194.44
TCP/BP2 \$196.99
BP4/TCP4 \$196.39

BoC Rate (Noon) prev. day
\$1.3476 CAD / \$0.7421 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 opened higher this morning. US cash markets continue to post mixed results day over day as they have since the beginning of the week. The tendency of the recent cash markets also reveals a 'slowing down' of the upward trajectory seen earlier when the spring/summer rally developed a few weeks ahead of the typical run-up. Anticipated strong demand and ideas that packers and processors attempted to secure supplies ahead of the increase in demand (and prices) are in part thought to be behind the early cash strength. Recently, however, the timeline on when exactly that export demand will be revealed has become murkier. In the meantime, the drama associated with the ongoing USA/China trade talks lingers on and there are quite a few opinions suggesting that in order for pork to flow more efficiently to China, the tariffs will need to be removed. While tariffs may not be much of an issue for state buyers in an emergency, it does slow the flow to the non-state buyers currently estimated to be around 40% of purchasers. Regardless, there are ideas that export demand may not surface until late in Q3 although there are some stories being shared on social media suggesting pork is already starting to be less plentiful in some areas of China. Lean hog futures continue their choppy and two-sided trade in the meantime, but the choppiness does not yet show a strong pattern one way or another. The progress (or lack thereof) of the trade talks in Washington DC will be watched very closely this week with all eyes on Friday to see if the new deadline is reached and if President Trump increases the tariff rates, or not. Volatility will likely remain a feature of the futures trade in the short term.

Canadian delivered forward contract prices opened lower this morning. The May WASDE report will be released this week but the extent to which the report will influence markets this month could be muted somewhat considering all eyes are on Washington DC this week to look for clues on the outcome of the latest round of trade talks being negotiated. In the meantime, analysts' expectations ahead of the report suggest the market is looking for 920 million bushels in ending stocks (up from last month) on a recently slower export demand pace. The May report will also show first estimates on the new crop year.

US corn futures opened lower this morning. US corn remains under pressure despite ideas that a slower than average planting pace could influence some farmers to switch to another crop (likely beans). As well, China trade talks continue to influence most markets and corn is no exception especially since there were ideas earlier that a successful trade deal would see China buyers purchase corn and ethanol. Analysts' expectations ahead of Friday's WASDE report show a slight increase in ending stocks relative to last month to 2.055 billion from 2.035 billion bushels.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #5		201.39 205.39	202.44 204.13	197.72 209.58	189.36 195.22	185.09 190.00	171.63 180.81	167.83 174.84	170.52 183.74	184.82 186.10
Soymeal Wpg/S.Man	436	440	439	444	447	449				

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