

Hog Margin Outlook

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Monday, May 13, 2019

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

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US Slaughter

2.341 mil. Last Week
2.306 mil. Year Ago

Daily Prices

Iowa/S. MN. \$82.63
W. Corn Belt \$82.39
National \$82.24

ML Signature 5 \$199.26
HyLife (prev. day) \$195.16
TCP/BP2 \$199.26
BP4/TCP4 \$195.88

BoC Rate (Noon) prev. day
\$1.3418 CAD / \$0.7457 USD

Cash Prices Week Ending May 11, 2019

Signature 3 198.09/89.85
Signature 4 196.02/88.91
Signature 5 197.06/89.39
h@ms Cash 194.02/88.01
HyLife 194.44/88.20
TCP/BP2 197.59/89.63
BP4/TCP4 196.24/89.01

Cumulative Top-Up Estimate

\$4.26 CAD/ckg

ISO Weans \$57.85 US Avg.

Feeder Pigs \$89.74 US Avg.

Forward contract prices opened mixed this morning. US cash markets pushed higher to start the week with all reporting regions showing gains relative to the previous session. However, there could be some headwinds approaching as the value of the carcass struggles to make consistent gains (in a pattern seen recently) and the demand picture becomes a bit murkier especially in the export markets. On that note, lean hog futures gapped lower at the open following trade deal developments between China and the USA at the end of last week. Vice premier Liu met with US Trade Secretary Lighthizer and US Secretary of Treasury Steven Mnuchin in Washington DC on Thursday and Friday where the meeting was described as cordial but unproductive. The message from premier Liu was that there was nothing more that he could do and that the decisions were up to Presidents Trump and Xi now. As such, the eleventh hour 'deal' that was hoped for and widely speculated on, did not materialize. At present, there are no plans for the two sides to negotiate officially in the short term until the G20 meeting in Japan where Presidents Trump and Xi are expected to meet. The meeting will likely not result in a 'deal' per se and perhaps only outline a path forward on reconciling current stumbling blocks. However, an escalation of hostilities should not be ruled out either. At midnight on Friday, tariffs were increased on \$200 billion of Chinese goods from 10% to 25%. President Trump has publicly stated he is in 'no rush' to remove the tariffs and is prepared to add tariffs to another \$300 billion (which would then basically cover everything from China). China has promised to respond, but the USA buys much more from China, so an in-kind response is physically impossible. China will need to buy pork from the export market at some point; the developments on the trade front merely suggest they could attempt to delay purchases from the USA for as long as possible. Markets have backed off from the pessimism at the open but are still trading under pressure.

Canadian delivered forward contract prices opened lower this morning. Unsurprisingly, US soybean futures contracts are trading under pressure with the nearby summer contracts all under \$8.00 USD/bu as of this writing. Soymeal is trading under \$300 USD/ton across all observed contracts which was previously considered to be an unofficial support level for meal. At least, the \$300 mark was hard to breach for any considerable length of time. The market will attempt to look for direction in other places but in the meantime, the lack of progress on the China/USA trade file is weighing heavily on the market.

US corn futures opened lower this morning. Like beans, US corn futures will start this week on a lower note and there is not much to support in the meantime. While it is true that planting progress is behind the averages, and some very qualified experts are expressing on social media that this is a concern, the market is pressured from the weight felt in other commodity markets relying more heavily on China than US corn. As well, there are ideas that additional shipments of corn and ethanol to China are 'on hold' for now as progress on trade talks stall.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #5		201.07 202.33	198.19 200.60	193.79 202.05	185.40 191.32	181.32 186.44	174.18 182.02	170.92 176.18	171.66 184.83	183.15 187.07
Soymeal Wpg/S.Man	430	433	432	438	440	443				

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