

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 15, 2019

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

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US Slaughter

460,000 Tuesday
460,000 Year Ago

Daily Prices

Iowa/S. MN. \$82.50
W. Corn Belt \$82.43
National \$82.87

ML Signature 5 \$200.82
HyLife (prev. day) \$196.28
TCP/BP2 \$200.82
BP4/TCP4 \$198.13

BoC Rate (Noon) prev. day
\$1.3469 CAD / \$0.7424 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 are once again mixed with ISM up while WCB and National regions are down all by about \$0.40 USD/cwt. The earlier-than-seasonal cash move higher has not been sustained at the pace seen in early March, but the tack is trending upward, nonetheless. In a normal marketing year, we could expect to see the summer rally run its course by about the beginning of July although the 'top' does move around somewhat. Regardless, this year could be considered anything but normal and the current cash markets appear to be dealing with the fallout of earlier-than-normal purchase activity ahead of a perceived uptick in export demand due to ASF. To date, that 'extra' demand has not materially surfaced despite massive speculation on the potential. The value of the carcass is trending slightly above seasonal patterns, but the values of the individual cuts have not been consistent. Bellies, for example, saw some strength develop in early March, then back off in April, only to regain some strength once again in a pattern that highlights the distinct volatility in the belly primal. On that note, the CME is currently constructing and publishing a fresh bacon index to "give an indication of the supply and demand of bacon" citing high volatility in the belly primal as rationale for the move. Moving forward, it is widely expected that a new fresh bacon contract (not frozen bellies) will be made available on the exchange. Meanwhile, more of the same recent volatility is seen in the lean hog futures market today. As of this writing, all contracts are trading higher, but there is no 'news' supporting (or pressuring) the trade. The recent strength has retraced some of the earlier losses seen last week but the market is not at the high levels seen in mid-March (or Mid-April); it is in a wait-and-see holding pattern which could change in an instant.

Canadian delivered forward contract prices opened higher this morning. There maybe 'green on the screen' but it doesn't really mean all that much when one considers the context. That is, three sessions ago, the nearby contract closed at contract closing lows, notably, under the \$8.00 USD/bu mark for two sessions in a row. The lack of progress on the USA/China trade file, reductions in feed demand due to ASF, massive ending stocks, big crops in S. America, and thoughts that corn acres could be switched to beans have all been pressuring. The recent 'recovery' maybe only be attributed to all these factors being priced in for now.

US corn futures opened higher this morning. More rain in the forecast does not bode well for the US corn planting pace which is already 36% behind the five-year average. Forecast models show rain in important growing regions over the next 5-7 days in areas where more rain is not currently needed. There is a growing amount of commentary expressing concern at the slow pace this year and what it could mean for acreage and potential yields further out, although farmers are known to make extraordinary progress when they need to.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #5		207.65 208.91	202.80 205.22	195.54 205.63	187.13 193.07	183.04 188.17	175.35 183.21	172.08 177.35	172.36 185.57	183.88 187.81
Soymeal Wpg/S.Man	456	454	452	457	460	460				

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STRENGTH IN NUMBERS

