

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 29, 2019

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

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US Slaughter

479,000 Tuesday
427,000 Year Ago

Daily Prices

Iowa/S. MN. \$78.02
W. Corn Belt \$77.51
National \$82.32

ML Signature 5 \$194.19
HyLife (prev. day) \$194.91
TCP/BP2 \$194.19
BP4/TCP4 \$194.74

BoC Rate (Noon) prev. day
\$1.3477 CAD / \$0.7400 USD

Cash Prices Week Ending May 25, 2019

Signature 3 200.72/91.05
Signature 4 199.70/90.58
Signature 5 200.21/90.81
h@ms Cash 197.70/89.68
HyLife 197.74/86.69
TCP/BP2 200.83/91.10
BP4/TCP4 197.48/89.58

Cumulative Top-Up Estimate

\$3.66 CAD/ckg

ISO Weans \$52.47 US Avg.

Feeder Pigs \$75.48 US Avg.

Forward contract prices opened mixed this morning. Due to confidentiality concerns cited by the USDA, US cash markets did not report prices for the ISM and WCB regions; the National regions came in \$0.75 USD/cwt lower on the day. Cash markets have been under pressure recently as the fundamental picture remains murky. Barrow and gilt dressed weights are at high levels comparatively for this time of year and have not 'come down' with the trend that typically develops around the beginning of April; slaughter levels remain constant near the new normal. Carcass values also remain pressured and the net value of the carcass is lower than all years since 2013 except for 2016 (of which current value is only \$0.39 higher) and 2018 (when the cut-out was struggling). Lean hog futures continue to trade under pressure and there are at least two visible commentators that are starting to question this situation. They cite current reports which show ASF is bad and getting worse, and question how the futures markets can be performing so poorly when everyone 'knows' China is going to need a lot of pork. While this is likely true, there are still a variety of factors in play that are preventing Chinese buyers from committing to more or taking delivery of US-produced pork and holding the futures back. Among them are a 50% tariff disadvantage relative to other competitors (62% in total), ongoing trade 'war' hostilities, and until recently, a cash/nearby futures spread that was relatively wide while cash markets remained weak and there was no positive export demand data to justify the futures values. To be clear, markets will likely show strength once there is firmer evidence China is actually buying US pork and/or shipping pork as back-fill to countries where China is active. In the meantime, the market has no real rationale to 'guess' when this activity will materialize; in short nothing is happening currently. But the timing of this development, which appears to be an inevitability, will be key for all market participants.

Canadian delivered forward contract prices opened higher this morning. Is the market finally reacting to something not related to the China/USA trade spat? Yesterday's crop progress report showed planting progress at 29% against a 31% pre-report estimate and the 66% five-year average. In sum, 2019 planting progress is well-off the pace and the market is starting to respond even though there is a massive amount of old crop beans to clear the market.

US corn futures opened higher this morning. US corn planting progress is behind by some 32% (!). The market was expecting progress to reach 63% for the week ending last Sunday but instead came in 5% lower than the pre-report projection. The five-year planting average puts corn at 90% and so far in 2019, only 58% has been planted. What this means is that there are now about 39 million acres that need to be planted and there are increasing concerns that many acres will be switched or go unplanted altogether, not to mention potential impacts on yields.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5			191.98 194.41	189.42 196.18	180.86 186.94	176.83 181.81	170.04 178.22	168.58 172.15	168.46 179.31	179.31 182.58	175.73 177.42
Soymeal Wpg/S.Man	481	480	478	481	484	486					

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