

# Hog Margin Outlook

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Friday, May 31, 2019

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## US Slaughter

468,000	Thursday
466,000	Year Ago

## Daily Prices

Iowa/S. MN.	\$79.28
W. Corn Belt	\$78.83
National	\$82.03
ML Signature 5	\$195.83
HyLife (prev. day)	\$195.10
TCP/BP2	\$195.83
BP4/TCP4	\$196.58

**BoC Rate (Noon) prev. day**  
\$1.3501 CAD / \$0.7407 USD

## Cash Prices Week Ending June 01, 2019

Signature 3	192.29/87.22
Signature 4	196.88/89.30
Signature 5	194.59/88.27
h@ms Cash	194.88/88.40
HyLife	N/A
TCP/BP2	200.21/90.81
BP4/TCP4	199.70/90.58

## Cumulative Top-Up Estimate

\$3.60 CAD/ckg

ISO Weans \$52.47 US Avg.

Feeder Pigs \$75.48 US Avg.

**Forward contract prices opened higher this morning.** US cash markets are finishing the holiday shortened week off on an upper note with all regions coming in higher relative to the previous session. The ISM and WCB regions were up by \$1.82 and \$1.63, respectively, while the National region showed a more modest \$0.21 USD/cwt. gain. The move bookends a volatile week that saw earlier losses and a couple instances of non-reporting due to low volumes that triggered confidentiality concerns. The next couple weeks should prove to be challenging and interesting to a cash market that typically see some strength heading into July. Yesterday, president Trump announced new tariffs will be applied to Mexico in an effort to apply pressure on Mexican officials to address the 'immigration issue' on the USA's southern border. A 'first round' of 5% tariffs will be applied to 'everything' Mexico exports on June 10 which will increase 5% per month until October, until 25% is reached. So far Mexico's response has been relatively measured but there are thoughts that Mexico will once again apply a retaliatory tariff on US pork. The last round of tariffs was estimated to have an impact on the carcass of approximately \$12 per head lower compared to a situation where no tariffs existed. As such, market watchers will be watching primal values closely, especially hams, which constitute the largest component of US pork exports to Mexico and make up about 25% of the value of the entire carcass. While China committed to more US pork in the weekly export report this morning (as well as taking delivery of some prior commitments), the market has shrugged off the news in light of the Mexico tariff announcement. While climbing higher since gapping lower at the open, the market has little rationale to rally \*significantly\* higher at present. To be sure, most are of the view that more upside potential is possible rather than downside risk. However, recent events will only add more uncertainty to a market that is looking for some clarity.

**Canadian delivered forward contract prices opened higher this morning.** Commodities are mostly lower this morning following the announcement by president Trump of new tariffs on Mexico. Comparatively, Mexico is not the USA's most important soybean customer, but Mexico still imports approximately 3.5 to 4.0 MMT of beans year over year and the volume is not anything to take for granted (China was about 30 MMT y/y before the trade war). This morning's export sales report showed US net sales of 455,800 against a pre-report expectation of 250,000 to 650,000 MT.

**US corn futures opened lower this morning.** Like beans, US corn futures are finishing off the week on a weaker tone after witnessing one of the strongest rallies seen in recent memory, so context is important. In any event, the news of more tariffs on Mexico is more important to the US corn market (compared to soybeans, for example) that sees about 15 MMT exported to Mexico on an annual basis. The export sales report this morning showed net sales of 906,800 MT which came in higher than the 850,000 up-per end pre-report estimate.

Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5			197.90 200.34	192.18 200.83	183.62 189.70	179.58 184.56	172.41 180.60	170.95 174.52	170.32 181.20	182.18 184.48	179.80 180.28
Soymeal Wpg/S.Man	493	492	490	495	497	500					

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