

Hog Margin Outlook

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Wednesday, June 5, 2019

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

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US Slaughter

470,000 Tuesday
450,000 Year Ago

Daily Prices

Iowa/S. MN. \$76.57
W. Corn Belt \$76.37
National \$80.32

ML Signature 5 \$189.50
HyLife (prev. day) \$190.41
TCP/BP2 \$189.50
BP4/TCP4 \$191.23

BoC Rate (Noon) prev. day
\$1.3414 CAD / \$0.7455 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 194.67/88.30
TCP/BP2 200.21/90.81
BP4/TCP4 199.70/90.58

Cumulative Top-Up Estimate
\$3.60 CAD/ckg

ISO Weans \$43.88 US Avg.
Feeder Pigs \$69.07 US Avg.

Forward contract prices opened higher this morning. For the third time this week, all cash reporting regions were lower compared to the previous day. While there was much speculation and hope that cash markets would outperform historical trendlines due to ASF-related demand (which was projected in the futures markets over the month of April), those ideas appear to be fading for the summer timeframe. Also cited for cash weakness are indicators suggesting US domestic demand is a bit sluggish, supplies remain ample, and ongoing uncertainty over how Mexico will react if the 5% tariff is applied to everything Mexico produces on June 10 as currently threatened. Presently, Mexican officials are attempting to deescalate the situation by announcing they still intend to ratify the new NAFTA deal and, to date, they have not announced any counter tariff measure against the US. The pork cut out was net negative on the day with the volatile belly primal leading lower by \$6.33 USD/cwt after posting gains earlier in the week. The sum of all factors has led to a less than optimistic tone in cash markets for sellers as packers have no problem securing supplies and are not motivated to aggressively bid at this time. Meanwhile, lean hog futures have backed off considerably when compared to levels seen just two months ago. The market is currently trending at pre-rally levels as the ongoing China/USA trade war lingers and reports are starting to circulate suggesting that the US is being avoided, at least for now, while China secures pork from other global suppliers. Most in the trade do not believe that China can avoid the US as a source of pork indefinitely and there is an expectation that when the current Chinese cold storage stocks are drawn down, they could enter the global market in force. In the meantime, China remains decently supplied and despite some regional cash strength in various provinces, the price of pork in China is not exorbitant relatively speaking. In short, the ASF crisis has not fully developed in the country as inflation or food security issues yet and the market is in a wait-and-see holding pattern for now.

Canadian delivered forward contract prices opened lower this morning. Despite ongoing concerns over the pace of planting and less-than-ideal planting weather on the way, US soybean futures have backed off the recent strength seen over the past couple sessions. There are ideas that the current action is more technically driven but there are still a lot of beans to clear the market. There was a recent article suggesting that China needs to take delivery of as much as 7 MMT (~257 million bu) old crop beans or risk paying steep cancellation fees.

US corn futures opened lower this morning. Like beans, US corn futures are moving lower on technical positioning and some negativity on the certainty of the global trade while the US appears to prefer to employ tariffs to achieve policy goals. The rapid rise of corn values since mid-May has landed the nearby contract in the \$4.50 USD/bu mark which was last seen in June of last year. Slow planting pace and poor weather is keeping the downside in check.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5		190.28 192.57	184.14 191.13	175.65 181.68	171.62 176.55	167.89 176.00	166.45 169.99	167.37 178.14	179.34 181.39	176.27 177.95
Soymeal Wpg/S.Man	476	475	480	483	485	492				

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