

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, June 7, 2019

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

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US Slaughter

474,000 Thursday
445,000 Year Ago

Daily Prices

Iowa/S. MN. \$76.65
W. Corn Belt \$76.19
National \$80.15

ML Signature 5 \$188.58
HyLife (prev. day) \$189.04
TCP/BP2 \$188.58
BP4/TCP4 \$190.33

BoC Rate (Noon) prev. day
\$1.3378 CAD / \$0.7475 USD

Cash Prices Week Ending June 08, 2019

Signature 3 189.01/85.73
Signature 4 192.16/87.16
Signature 5 190.59/86.45
h@ms Cash 190.16/86.26
HyLife N/A
TCP/BP2 194.59/88.27
BP4/TCP4 196.88/89.30

Cumulative Top-Up Estimate
\$3.52 CAD/ckg

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

Forward contract prices opened lower this morning. US cash markets are closing the week off on a weaker note with ISM, WCB, and the National regions coming in lower by \$0.74, \$0.95, and \$0.64 USD/cwt, respectively. The lower US base prices over the course of the week effectively influences the weekly Canadian cash prices lower which resulted in drop of between approximately \$3 to \$5 CAD/ckg depending on the program compared to last week. Cash markets typically see strength heading into the last week in the second quarter on average, however there are outliers such as 2015 which saw prices top out in near the first week in June. Unusually high live weights, high slaughter levels, a struggling cut-out, and ideas that domestic demand is less than stellar (supported in part by information showing that the foodservice industry, measured by the Restaurant Performance Index, was down 1.8 points in May compared to April) are all factors weighing on the cash markets. Lean hog futures, meanwhile, have struggled to make significant gains after falling from the highs seen at the end of March/beginning of April. The general consensus for now is that China is decently supplied with pork in cold storage and that the ASF crisis has not developed into a fully formed inflation or food security issue yet. However, as the stocks get drawn down, there are thoughts China will enter the global market in more force. There is evidence some countries are already benefiting more so than the US at present. But almost no one thinks China will be able to avoid US pork once the crisis becomes more acute. Timelines for a stronger Chinese presence generally converge near the end of the third quarter (September) but there are some that suggest purchase activity could be ramped up as early as July. In the meantime, the markets are in a wait-and-see holding pattern and are further pressured by ideas that Mexico could retaliate once more if the new round of tariffs go into effect on Monday.

Canadian delivered forward contract prices opened lower this morning. Markets are lower to finish the week as the recent rally seen earlier has appeared to have run out of steam for the time being. Planting progress remains slow going and challenging but there are ideas the market has priced this in for now. The June WASDE report will be released next week with the pre-market expectations on old crop ending stocks coming in over 1 billion bu on average while the new crop is pegged at 983 million against 970 million last month.

US corn futures opened lower this morning. Planting progress remains historically poor and there is much speculation regarding how many prevent plant acres will be taken by US farmers. Average trade guesses ahead of Tuesday's WASDE report show the market is expecting over 2.1 billion bu in old crop ending stocks and 1.9 billion for the 2019/2020 marketing year.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5		190.37 193.72	186.79 192.40	179.06 185.16	175.44 179.38	171.50 179.14	169.11 173.41	169.12 178.77	179.97 182.08	177.21 178.89
Soymeal Delivered Wpg/S.Man	465	464	469	471	474	480				

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STRENGTH IN NUMBERS

