

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 27, 2019

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

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<b>US Slaughter</b>	
478,000	Wednesday
454,000	Year Ago
<b>Daily Prices</b>	
Iowa/S. MN.	70.98
W. Corn Belt	70.74
National	\$78.14
ML Signature 5	\$176.19
HyLife (prev. day)	\$181.19
TCP/BP2	\$176.19
BP4/TCP4	\$182.12
<b>BoC Rate (Noon) prev. day</b>	
\$1.3130 CAD / \$0.7616 USD	
<b>Cash Prices Week Ending June 22, 2019</b>	
Signature 3	187.95/85.25
Signature 4	187.81/85.19
Signature 5	187.88/85.22
h@ms Cash	185.81/84.28
HyLife	186.13/84.43
TCP/BP2	186.47/84.58
BP4/TCP4	187.92/85.24
<b>Cumulative Top-Up Estimate</b>	
\$3.29 CAD/ckg	
ISO Weans \$36.55 US Avg.	
Feeder Pigs \$54.04 US Avg.	

**Forward contract prices opened lower this morning.** US cash markets remain under pressure amid large supplies, a weak cut-out, and a demand situation that needs to improve if cash is to regain some traction. ISM and WCB reporting regions were down \$1.41 and \$1.51 while the National region was lower by a more modest \$0.15 USD/cwt. The cut-out came in net \$1.61 lower and the ham primal (making up about 25% of the carcass value) has been performing poorly relative to the five-year average although it is higher than year ago. The big negative on the day, however, were ribs that were lower by a whopping \$18.35 USD/cwt and are now at the lowest levels seen since the cut-out was reported in this way (~33% lower than the five-year average). This development suggests that poor domestic demand due to less than ideal grilling and BBQ weather seen recently could be having an impact. Lean hog futures are steady and under pressure to start the session which is unsurprising even with the announcement that Canadian pork export certificates to China are not being issued by the CFIA until further notice. While the development is not particularly good news for Canadian exporters, Western Canadian producers will likely see little immediate price impacts as a result of this issue unless the situation is prolonged and Canadian product starts to compete with the USA in the export market both countries are in, or becomes shipped south. There are ideas that the issue stems from export certificates that were being forged to smuggle pork into China with Canadian connections. There is now an investigation underway and the CFIA has stopped issuing certificates in the meantime. To be clear, prices are under pressure today and will remain so unless the demand situation in the USA improves, but price pressure is so far not related to Canadian export certificates. With all the news focused on low values recently and the Canada/China development over the past couple days, coverage of the Quarterly Hogs and Pigs report has taken a back seat. Regardless, the Quarterly Hogs and Pigs report will be released by the USDA after trading today with some analysts looking for an ~2% increase in the marketing and breeding herds ahead of the report.

**Canadian delivered forward contract prices opened even this morning.** This morning's export sales report showed net sales of 168,200 MT which is down 71% relative to last week and 61% lower than the rolling four-week average. The market was looking for between 300,000 and 800,000 MT so the news is considered bearish. It's a big data day tomorrow for grains and oilseeds when the Acreage and Grain Stocks reports will be released. Pre-report estimates on acreage are pegged at 84.355 million acres against 84.617 million acres in the March intentions.

**US corn futures opened lower this morning.** Net sales of US corn came in higher than previous week and 7% higher than the rolling four-week average at 249,000 MT. Expectations were for net export sales to come in between 250,000 and 750,000 so at least corn came in near the lower end of the expected range. Tomorrow's acreage report will be closely watched and is expected to come in much lower than the original intentions. The market is looking for 86.662 million acres against 92.792 million acres seen in the March intentions.

Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5			163.16 168.71	154.89 160.92	151.44 155.33	149.24 156.80	146.88 151.13	148.72 158.21	159.39 166.43	162.30 163.95
Soymeal Delivered Wpg/S.Man	468	467	472	474	475	483				

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Hams Marketing Services will be closed Mon., July 1 for Canada Day.

Risk Management will be closed one hour early on Wed., July 3 and all day on Thurs., July 4 for Independence Day (USA). Main office is open on the 3<sup>rd</sup> and 4<sup>th</sup>. The HMO and Opening Price reports will not be published on the 1<sup>st</sup> or 4<sup>th</sup>.

