

Hog Margin Outlook

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Wednesday, July 3, 2019

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

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US Slaughter	
480,000	Tuesday
463,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$68.44
W. Corn Belt	\$68.24
National	\$73.86
ML Signature 5	\$167.98
HyLife (prev. day)	\$170.13
TCP/BP2	\$167.98
BP4/TCP4	\$171.93
BoC Rate (Noon) prev. day	
\$1.3114 CAD / \$0.7630 USD	
Cash Prices Week Ending June 29, 2019	
Signature 3	171.02/77.57
Signature 4	182.30/82.69
Signature 5	176.66/80.13
h@ms Cash	180.30/81.78
HyLife	180.53/81.89
TCP/BP2	187.88/85.22
BP4/TCP4	187.81/85.19
Cumulative Top-Up Estimate	
\$3.38 CAD/ckg	
ISO Weans	\$32.64 US Avg.
Feeder Pigs	\$53.57 US Avg.

Forward contract prices opened lower this morning. US cash markets remain under pressure as the fundamental picture has not changed. Furthermore, packers are in no hurry to bid up as profitability has become pressured. Comparing the value of the carcass to the CME lean hog index (omitting the value of other inputs, but also of trim and variety meats, for example) suggests that packers have been under tight margins consistently since mid June and started to show signs of pressure since the beginning of May. The fact that there is so much supply means that packers don't have to aggressively compete to keep production lines full, but the relatively low values of the carcass have been squeezing margins as well. Lean hog futures are trading in a choppy and two-sided pattern as the market continually reconciles massive domestic production with massive supply reductions in China, yet no substantial purchasing from the region. There has been little-to-no follow through on the initial strength seen on Monday and the market is residing amid the lows in a trend of pressure that developed near April 22. In terms of the recent upside, some of that has been attributed to short covering whereas traders buy back a position to exit it, perhaps from an earlier hedge. And while it is true that year over year exports to China from USA are up, and that the impacts of the disease appear to be worse than first thought, Chinese purchases of US pork have simply not been enough to clear the market of the excess supply currently in the USA. Moreover, commitments have fallen well short of expectations and there is no evidence suggesting that will change in the short term – China apparently still has a lot of pork in cold storage and combined with some softening demand amid consumer concerns, there simply is no meat shortage or crisis yet. Forward contracting will be closed one hour early today (11:30 AM, Central time), to coincide with an early close at the exchange in Chicago in advance of Independence Day (tomorrow) when the markets (and subsequent forward contracting) will be completely closed until Friday.

Canadian delivered forward contract prices opened mixed this morning. The bean market remains supported following the surprise reduction in acreage in last Friday's USDA report, and now, there is talk that longer-term weather outlook suggests farmers will not get an 'extended' growing season this year. In the meantime, the market is expected to exhibit features of choppiness ahead of the early market close today and a full close tomorrow for Independence Day.

US corn futures opened higher this morning. Like beans, the market is not expected to break out in any direction especially with an early close and a national holiday interrupting trading on Thursday this week. Meanwhile, US corn futures are expected to remain supported as no one really agrees that 91.7 million acres will ultimately be planted and expect to see that number reduced as subsequent reports become available.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5		172.86 178.64	164.50 170.51	160.99 164.87	158.28 165.81	155.93 160.16	158.12 167.60	168.78 175.05	170.92 172.57
Soymeal Delivered Wpg/S.Man	455	455	460	465	470	470			

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Risk Management will be closed one hour early on Wed., July 3 and all day on Thurs., July 4 for Independence Day (USA).
The Main office is open on the 3rd and 4th.
The HMO and Opening Prices will not be published on the 4th.

