

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, July 3, 2019

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

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US Slaughter

480,000 Wednesday
2,000 Year Ago

Daily Prices

Iowa/S. MN. \$67.77
W. Corn Belt \$67.66
National \$72.91

ML Signature 5 \$165.48
HyLife (prev. day) \$167.76
TCP/BP2 \$165.48
BP4/TCP4 \$169.01

BoC Rate (Noon) prev. day
\$1.3059 CAD / \$0.7658 USD

Cash Prices Week Ending July 6, 2019

Signature 3 163.91/74.35
Signature 4 172.24/78.13
Signature 5 168.07/76.24
h@ms Cash 170.24/77.22
HyLife 170.28/77.24
TCP/BP2 176.66/80.13
BP4/TCP4 182.30/82.69

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. Unreported pricing due to confidentiality and yesterday's holiday are delaying the USDA pricing reports that would normally be available earlier, subsequently delaying this publication. US cash markets remain under pressure with no real supportive stories developing in the short term and there are now analyses surfacing that attempt to explain the recent pressure. For example, softer domestic demand has been attributed, in part, to poor grilling weather that, when first suggested weeks ago, appeared to be a bit of a stretch in 'explaining' weak consumer demand domestically. However, the idea has now surfaced in more than one reputable publication and is gaining momentum. The argument is that the inability of wholesalers and retailers to move meat into the marketplace has squeezed packer margins and subsequently limited what packers are willing to pay for live hogs. Whether or not this is due to grilling weather is irrelevant. The carcass as a whole (excluding variety meats) is down approximately 15% while bellies (making up ~16% of the carcass by weight) are down by over 40%. Even though bellies do not make up the lion's share of the carcass value, the pressure on the primal does have an impact especially when the value of the belly is this low. There is still no bullish news now (or developing) in the lean hog trade and the market opened lower following the one-day trading interruption due to the US Independence Day national holiday yesterday. A strong jobs report in the USA released this morning gave the US dollar a boost and the Canadian dollar has subsequently seen a 4/10ths of a cent drop at the open. The currency move has moderated the pressure seen on Canadian forward contracts somewhat (but not by much, and considering the pressure seen over the course of the trade on Wednesday, Canadian forward contracts are lower to finish the volatile, and holiday shortened week.

Canadian delivered forward contract prices opened lower this morning. Export sales numbers were not published yesterday due to the US holiday, but the report released this morning shows net sales of 867,000 MT were made where China took over 607,000 MT of the intentions. However, news surfacing yesterday suggests that China will insist on the removal of current tariffs before any deal can be reached, likely in an attempt to avoid the situation during the NAFTA negotiations where steel and aluminum tariffs dragged on even after the initial agreements were made. The US wants to maintain some tariffs to ensure China compliance with new rules that have yet to be revealed in detail. The recent purchases of soybeans (and rice for the first time ever) are widely seen to be part of the negotiating strategy.

US corn futures opened lower this morning. Net export sales commitments for week ending June 27 came in at 175,600 MT which was considered a disappointment to the trade. The number reflects commitments that are down 41% from the previous week but up from the rolling four-week average. Physical exports were also down 58% from the previous week and 61% down from the four week average adding some more pressure to finish off the week.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #5		164.79 171.89	156.39 162.42	152.74 156.64	150.85 158.41	148.49 152.74	151.87 161.33	162.51 169.71	165.59 167.24
Soymeal Delivered Wpg/S.Man	453	453	457	462	465	466			

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