

Hog Margin Outlook

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Wednesday, July 10, 2019

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US Slaughter	
478,000	Tuesday
457,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$67.54
W. Corn Belt	\$67.66
National	\$71.73
ML Signature 5	\$164.97
HyLife (prev. day)	\$165.15
TCP/BP2	\$164.97
BP4/TCP4	\$167.14
BoC Rate (Noon) prev. day \$1.3127 CAD / \$0.7618 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 \$3.41 CAD/ckg	
ISO Weans \$31.92 US Avg.	
Feeder Pigs \$51.76 US Avg.	

Forward contract prices opened higher this morning. US cash markets are mixed with the ISM region up \$0.43 and the National region down \$0.53 USD/cwt; the WCB negotiated price was once again not reported due to confidentiality. The cut out saw net gains of \$1.89 USD/cwt but the value of the carcass is not out of the woods yet as the current price reflects the lowest value at this time of year since the data was captured in this way (2013). Lean hog futures were mixed at the open, but all contracts are trading higher out to the summer 2020 timeframe as of this writing. The moves follow strength seen yesterday across all contracts and the August, October and December contracts reached limit up at the close. The fundamentals have not changed but there is talk that the rising pork and pig prices in China combined with a draw down in stocks could incent Chinese purchasers into the global marketplace more aggressively, and, potentially, also to the US. On that note, a brief article in Reuters published this morning states that China "will stabilize trade by reducing tariffs, improving export tax rebate policies and cutting insurance fees for export companies..." (Reuters/Stringer; June 10, 2019). Specific goods to be impacted have not been listed but there is speculation surfacing once again that this may provide a window of opportunity for US pork exporters and further supports the idea that China will do what it needs to do in order to keep inflation in check (not to mention maintain food security) despite the ongoing trade war with the USA. Bullish market watchers posit that this could mark the beginning of another turn around in the marketplace, but the more bearish note that there is still a lot of committed product yet to be delivered and that new commitments (if they do materialize) will likely be made for the next marketing year. While both moves would be supportive, the latter scenario suggests that while the futures may respond, cash markets won't see support until later.

Canadian delivered forward contract prices opened higher this morning. US soybean futures are higher ahead of tomorrow's WASDE report where there is talk the USDA will adopt the July acreage numbers that saw a surprise reduction, thus implying less production for new crop beans. Ending stocks estimates ahead of the report are coming in at 812 million bu. compared to the 1,045 million bu estimated in the July WASDE report. The market appears to be pricing in this expectation currently, but the trade could turn volatile quickly if any surprises are revealed.

US corn futures opened lower this morning. With ideas that the USDA will adopt the controversial acreage number into tomorrow's WASDE report, there are thoughts that the market really won't know, officially, 'good' numbers until at least the August report. A relatively large 'intentions' number appeared in the Acreage report suggesting actual acreage could be much less than the 91.7 acres published last month. Regardless, US corn futures are lower and traders are attempting to position themselves ahead of a report that may be widely criticized tomorrow.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		173.45 182.48	164.93 170.37	161.49 164.40	153.50 160.07	152.62 155.39	154.70 164.50	166.32 169.87	168.40 170.41	174.27 183.66
Soymeal Delivered Wpg/S.Man	456	456	460	466	470	470				

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