

Hog Margin Outlook

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Thursday, July 11, 2019

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

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US Slaughter

478,000 Wednesday

459,000 Year Ago

Daily Prices

Iowa/S. MN. \$69.17

W. Corn Belt \$68.89

National \$71.49

ML Signature 5 \$165.73

HyLife (prev. day) \$165.17

TCP/BP2 \$165.73

BP4/TCP4 \$166.14

BoC Rate (Noon) prev. day

\$1.3092 CAD / \$0.7638 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 mixed this morning. US cash markets are mixed with ISM and WCB up \$1.63 and \$1.23 respectively, while the National region is down \$0.24 USD/cwt. Cash markets remain at post-2014 lows and are also tracking seasonally lower despite the 800,000 lb gorilla in the room otherwise known as the expected export demand due to ASF. Prices could see some support as hog weights have fallen more in line (compared to the earlier counter seasonal move) restricting supply somewhat, but to date, demand has not developed substantially. This morning's export sales report showed 25,100 MT of pork was shipped last week (global), and for the past couple weeks, physical exports have been higher than the averages. This morning's report also showed that China took delivery of 8,000 MT which is higher than typical. However, higher than typical hasn't so far met expectations, and the timing of a surge in either sales (intentions) or deliveries is very much in question. Therefore, if export markets do not pick up 'soon', cash markets could be poised for a more seasonal trajectory that sees pricing drop as the market heads into the fourth quarter. Current modelling shows as 16% drop from current values (to the lowest seasonal week on average in September) which could push the National region into the \$60 range and WCB into the \$50s (i.e. into the \$140 CAD/ckg price range). While this seemed very unlikely only a couple months ago, if pork disappearance remains at current levels, it will not be enough to clear excess supply and the idea of the cash market pushing this low again, even with ASF demand looming, is plausible. While lean hog futures were showing strength for most of the trade yesterday, all contracts turned lower at the close which has continued into this morning's trade. Despite some positive 'administrative' news from China making the rounds yesterday (or news that could be interpreted as positive developments), nothing has fundamentally changed, and the market is waiting for more concrete information from which to build upon.

Canadian delivered forward contract prices opened even this morning. Trading is light ahead of this morning's WASDE report which will be released at 11:00 AM, Central time. The expectation is for ending stocks estimates to come in lower than the June report based on acreage estimates from the Acreage report last month, but support on reduced acreage appears to already have been priced in and meagre export demand could limit further upside. Average expectations on ending stocks are pegged at 812 million bu. Export sales released this morning were down 84% from previous week and 70% lower than the rolling four-week average.

US corn futures opened lower this morning. There will likely be a lot of commentary following the release of the corn numbers in today's WASDE report. At the heart of the issue is methodology and law where the USDA had to report acreage data on known information in last month's Acreage report. That report was considered controversial as the USDA estimated acreage higher than last year. Considering the planting weather, almost no one thinks the 91.7 million acres will be realized even though the report showed ~16% of acres were still intended to be planted. Today's WASDE report is expected to show the higher acreage and the consensus is that the market will really not know 'actual' acreage until the supplementary report is released later, likely rendering this report limited in value.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		173.76 182.95	165.28 170.70	161.78 164.68	152.43 158.98	151.56 154.32	151.20 160.96	162.77 165.35	163.90 165.89	169.87 179.23
Soymeal Delivered Wpg/S.Man	456	456	460	466	470	470				

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STRENGTH IN NUMBERS

