

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, July 12, 2019

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

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US Slaughter	
479,000	Thursday
456,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$69.21
W. Corn Belt	\$69.08
National	\$71.59
ML Signature 5	\$165.81
HyLife (prev. day)	\$164.97
TCP/BP2	\$165.81
BP4/TCP4	\$166.11
BoC Rate (Noon) prev. day \$1.3071 CAD / \$0.7651 USD	
Cash Prices Week Ending July 13, 2019	
Signature 3	165.57/75.10
Signature 4	166.80/75.66
Signature 5	166.18/75.38
h@ms Cash	164.80/74.75
HyLife	n/a
TCP/BP2	168.07/76.24
BP4/TCP4	172.24/78.13
Cumulative Top-Up Estimate \$3.41 CAD/ckg	
ISO Weans \$31.92 US Avg.	
Feeder Pigs \$51.76 US Avg.	

Forward contract prices opened lower this morning. US cash markets will close the week off modestly higher with ISM, WCB, and National regions all up \$0.04, \$0.19, and \$0.10 USD/cwt respectively. Extremely tight margins, a low cut out value, and poor demand relative to expectations are all limiting the extent to which packers are motivated to bid upward. As well, historical trend analysis shows that cash markets typically see pressure after marketing week 27 despite some previous tightening of supply due to seasonally decreasing weights amid the summer months. It is currently marketing week 32. However, slaughter typically ramps up in mid-August and as the weather gets cooler, hogs get heavier bringing supply back up again and adding pressure to the cash market. This year, the market remains hopeful that ASF-related issues will increase the export profile and help clear the market of excess supply. However, that demand has fallen well short of expectations so far and the cash market could see a more typical trend heading into the fourth quarter (i.e. lower) if demand from any channel does not improve. On a more positive note, there is generally consensus that export demand will pick up at some point. Estimates on the timing of that 'event' previously ranged from late July to the second month in the first quarter of the new year, but there is an increasing chorus of analysts that see a potential for some 'additional' export activity when prices are traditionally low beginning as early as late September. Meanwhile, the market will simply have to wait for that development to occur. Lean hog futures have seen some support after hitting the lows in the last week of July, but they are still a far cry away for the values reflecting the speculative optimism seen in April. Futures (and forward contract values in CAD/ckg) are generally higher than the cash settles over comparable timeframes today, but most see potential for these values to increase, again, once evidence of demand picks up in the export channels. Softness and/or pressure could develop between now and then, however, and like the cash market, timing will be key.

Canadian delivered forward contract prices opened higher this morning. While not a 'controversial' as the corn numbers, there is talk that beans need to be updated as well. Yesterday's WASDE report showed reductions in export expectations that, in part, pushed new crop ending stocks to over 1.050 billion bu against an 812 million bu pre-report expectation. Yield was reduced by 1 bpa but there is chatter that yield and acreage could be reduced further. Updated acreage estimates on a resurvey will likely be reflected in the next WASDE report due on August 12. In the meantime, the market is called to trade the weather and ongoing trade talks news.

US corn futures opened higher this morning. As expected, there are several commentators suggesting that the trade, for the most part, ignored the US acreage estimate in yesterday's WASDE report and are pricing in the 'real issues', which are, lower production expectations on reduced acreage due to poor planting weather. The USDA will release new acreage numbers following a resurvey of the growing areas. In the meantime, the WASDE report used June's 91.7 million acreage number, which almost no one accepts, to bring in 13.875 billion bu in production and 2.010 billion bu in ending stocks, again, which the market is basically only accepting as 'placeholders' until the acreage resurvey is complete.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		173.54 180.87	165.08 170.48	161.55 164.44	151.15 157.67	150.28 153.02	149.47 159.21	161.01 163.53	162.07 164.07	168.34 177.70
Soymeal Delivered Wpg/S.Man	461	461	465	471	475	475				

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