

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, July 16, 2019

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

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US Slaughter	
475,000	Tuesday
459,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$70.70
W. Corn Belt	n/a
National	\$71.43
ML Signature 5	\$165.37
HyLife (prev. day)	\$163.92
TCP/BP2	\$165.37
BP4/TCP4	\$165.48
BoC Rate (Noon) prev. day \$1.3052 CAD / \$0.7662 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	165.33/74.99
TCP/BP2	168.07/76.24
BP4/TCP4	172.24/78.13
Cumulative Top-Up Estimate \$3.31 CAD/ckg	
ISO Weans \$32.32 US Avg.	
Feeder Pigs \$50.79 US Avg.	

Forward contract prices opened higher this morning. US cash markets in the ISM and National regions posted relatively modest gains compared to the previous day while the WCB region once again was left unreported due to low volumes and confidentiality concerns. There were stories making the rounds yesterday announcing a 25% jump in Chinese pork prices 'overnight' that contributed to more speculation on need in the country. And while it is true that pork prices rose sharply in a very short period of time (and 44% year over year), it is important to note that current China price levels for live hogs and pork have not breached recent, record highs yet. To be sure, there is general consensus that prices will likely move higher as the impacts of ASF-related production holes fully materialize (including within this office), but to date, there is no evidence that the current price rise in China will directly translate to immediate import escalation in the near term. Chinese authorities would probably like to 'get ahead' of any inflation or food security issues (which could influence social unrest) but for now, there is no indication that an increase in hog or pork prices, no matter how swift, will usher in an immediate rash of imports (especially from levels that are currently *less than* the highest values seen in 2011 and 2016). Lean hog futures are modestly higher to start the session and there are some commentators suggesting that the move is in response to the news on China hog and pork pricing that was being circulated yesterday. However, the move in the futures market is not a large one as of this writing. Higher hog and pork prices do suggest supply is tightening in China, and likely hint at things to come. But the important development (i.e. evidence of increased export activity and/or commitments to buy more pork) has yet to materialize and futures values for the remainder of the 2019 contracts are still approximately 18-20% lower than the April high point.

Canadian delivered forward contract prices opened even this morning. Markets are 'trading the weather' as participants wait on the next bit of news to surface. USA/China trade talk progress is as murky as ever and there is still some question over acreage of which an update will not be released until into August. The export sales report will be released tomorrow before trading opens for the day and the information could provide some incentives, but current volumes to date are off the pace needed to reach USDA goals set for the 2018/19 marketing year which will end soon.

US corn futures opened lower this morning. Pressure seen in the corn trade is in part a function of improving weather and a crop rating that has improved relative to the previous week. Weather will be closely watched as much of the US crop enters the pollination phase, albeit at a much slower pace than usual. An analytics office has revised Brazil's second crop harvest 1.5 MMT higher than their previous estimate for a total harvest of 99.7 MMT. Exports from Brazil were also increased to 35 MMT.

Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		178.87 181.82	173.34 178.75	169.74 172.64	161.32 167.86	160.45 163.20	159.34 169.09	170.91 172.50	169.96 171.96	175.96 185.31
Soymeal Delivered Wpg/S.Man	455	455	458	464	468	468				

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