

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, August 6, 2019

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

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US Slaughter

427,000 Monday
394,000 Year Ago

Daily Prices

Iowa/S. MN. \$76.19
W. Corn Belt \$75.01
National \$84.10

ML Signature 5 \$189.63
HyLife (prev. day) \$195.75
TCP/BP2 \$189.63
BP4/TCP4 \$197.42

BoC Rate (Noon) prev. day
\$1.3225 CAD / \$0.7561 USD

Cash Prices Week Ending August 3, 2019

Signature 3 194.15/88.07
Signature 4 190.42/86.37
Signature 5 192.29/87.22
h@ms Cash 188.42/85.47
HyLife 190.01/86.19
TCP/BP2 187.87/85.22
BP4/TCP4 176.50/80.06

Cumulative Top-Up Estimate
\$2.43 CAD/ckg

ISO Weans \$35.48 US Avg.
Feeder Pigs \$49.74 US Avg.

Forward contract prices opened lower this morning. US cash markets are into their second marketing day of the week as there was no long weekend in the USA. Reporting regions are coming under some pressure with a fundamental picture that has not significantly changed and a cut-out value that was lower to finish last week. Despite the holiday in Canada yesterday, US commodity markets were trading as normal. Lean hog futures displayed 'impressive' volatility that saw the October contract, for example, head into expanded limit lows near the open, only to recover into expanded limit territory to the upside for a trading range that was wider than \$8 USD/cwt over the course of the session. Despite the move higher and a stronger finish at the close, any premium associated with ASF appears to be wiped out for now and the remaining 2019 contracts are now trading at the levels before the initial rally seen last March. Furthermore, the value of the yuan (Chinese currency) was devalued yesterday in a move US officials are claiming is currency manipulation. A lower Chinese currency subsequently makes US exports more expensive in another hit to hog producers that have been already negatively impacted by the ongoing trade war that appears to be escalating especially since multiple news agencies were reporting yesterday that Chinese officials told state buyers not to buy US agricultural products – at all. While most believe that US pork will be in demand due to ASF-related losses at some point, a direct route to China appears to be on rockier footing today than even a couple weeks ago suggesting backfill opportunities may be the only way to help clear the market in the short to medium terms. In the meantime, US pork will become more affordable in more allied markets as pricing pressure mounts in the US, potentially providing an outlet. Regardless, there will be a lot of pork to clear in the second half of the year in a market that needs more avenues for US pork, not less.

Canadian delivered soymeal prices opened higher this morning.

Yesterday's crop progress showed beans to be 54% in good/excellent compared to the 63.4% good/excellent condition five-year average. The market is trading amid the lows of the recently established range while some short covering was cited for a bit of initial support yesterday. The market has turned lower again, presumably, on ideas that China is now avoiding all US ag exports as the trade war heats (up yet again), not to mention the currency complications that make US exports more expensive, trade war or not.

US corn futures opened lower this morning. Like beans, US corn has turned lower as trade war tensions intensify, and the global economic picture becomes murkier. As well, the US corn export picture is less than rosy after US Census Bureau data for June surfaced showing the smallest June volume in six years. This compares to Brazil, who shipped a record amount of corn for the month of June. Crop conditions came in at 57% good/excellent compared to the 69.6% five-year average.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		156.56 161.49	152.46 154.72	137.76 144.36	136.86 139.55	135.80 145.67	147.51 149.65	148.17 150.20	154.31 158.19	158.60 168.00
Soymeal Delivered Wpg/S.Man	447	450	452	457	457	460				

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