

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 7, 2019

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## US Slaughter

441,000 Tuesday  
457,000 Year Ago

## Daily Prices

|                    |          |
|--------------------|----------|
| Iowa/S. MN.        | \$75.58  |
| W. Corn Belt       | \$75.52  |
| National           | \$83.96  |
| ML Signature 5     | \$190.48 |
| HyLife (prev. day) | \$195.43 |
| TCP/BP2            | \$190.48 |
| BP4/TCP4           | \$197.51 |

**BoC Rate (Noon) prev. day**  
\$1.3253 CAD / \$0.7550 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 mixed mid-week with ISM and the National regions coming in lower than the previous day while the WCB is \$0.51 USD/cwt higher. Cash markets appear to be moving along a more seasonal pattern (lower), but it is too early to call it a trend just yet. Considering the optimism earlier in the year (due to expected demand from ASF related complications), cash markets are unremarkable. However, it should be noted that current values are better than at least two other years (2016 and 2018) as well as 1% (National) and 12% (WCB) higher than the averages over the past four years when identical marketing weeks are compared. So far, cash markets have not been pressured to the degree the futures markets have been, but lean hog futures continue to see pressure despite the reversal seen on Monday, some mid-session support yesterday, and a levelling-off in the early morning trade today. Futures contracts are now well off the highs seen in April, have wiped out the ASF premium, and have continually traded lower since mid-July. For example, since the recent 'highs' seen near July 22, values at the close yesterday were 20.9% lower for October, 21.5% lower for December, 17.8% lower for April, and 13.4% lower for June of 2020, and have seen almost constant pressure over the past 11 sessions. ASF-related demand has failed to materialize substantially and the appearance of an escalating trade war that now includes an additional 10% tariff on \$300 billion Chinese goods threatened to go into force on September 1, and the US making the claim that China is a currency manipulator (meaning even more tariffs could be entertained as a countermeasure), are weighing heavily on the trade. Moreover, news surfaced Monday that Chinese officials have directed state purchasers to not purchase any more US agricultural products while the trade war heats up. Most are of the view that this rift will be drawn out even further, subsequently prolonging uncertainty in commodity markets, whether the pundits think, or the evidence suggests, China 'needs' pork from the US or not.

**Canadian delivered soymeal prices opened even this morning.** Analyst's estimates ahead of the highly anticipated August WASDE report are being reported by Reuters and others where updates to acreage are widely expected. For beans, the average estimate for planted acres is coming in at 81.01 million acres with a 78.0 – 83.5-million-acre range and compared to the 80.0 million acres reported in the July report. Yield is pegged at 47.6 bpa on average.

**US corn futures opened lower this morning.** Next Monday's WASDE report is even more anticipated by corn market watchers as the numbers in the July report were considered highly controversial. For Monday, analysts' expectations ahead of the report are coming in at ~88 million on average which appears more reasonable than the 91.7 million posted last month, considering the challenging planting weather (and a note in the July WASDE report noting the July numbers also included intentions). Yield expectations are coming in at 164.9 bpa on average according to Reuters.

| Forward Range (at opening)  | Aug | Sep              | Oct              | Nov              | Dec              | Jan              | Feb              | Mar              | Apr              | May              |
|-----------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5          |     | 151.30<br>156.26 | 147.41<br>149.70 | 135.48<br>142.13 | 134.57<br>137.28 | 135.45<br>145.40 | 147.25<br>149.04 | 147.56<br>149.60 | 153.21<br>157.11 | 158.13<br>167.57 |
| Soymeal Delivered Wpg/S.Man | 447 | 450              | 452              | 457              | 457              | 460              |                  |                  |                  |                  |

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