

Hog Margin Outlook

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Friday, August 9, 2019

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

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US Slaughter	
476,000	Thursday
465,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$73.03
W. Corn Belt	\$72.19
National	\$82.61
ML Signature 5	\$184.91
HyLife (prev. day)	\$193.69
TCP/BP2	\$184.91
BP4/TCP4	\$194.39
BoC Rate (Noon) prev. day \$1.3257 CAD / \$0.7543 USD	
Cash Prices Week Ending August 10, 2019	
Signature 3	182.43/82.75
Signature 4	196.80/89.27
Signature 5	189.61/86.01
h@ms Cash	194.80/88.36
HyLife	N/A
TCP/BP2	192.29/87.22
BP4/TCP4	190.42/86.37
Cumulative Top-Up Estimate \$2.60 CAD/ckg	
ISO Weans \$35.48 US Avg.	
Feeder Pigs \$49.74 US Avg.	

Forward contract prices opened higher this morning. US cash markets are finishing the week lower with ISM, WCB and National regions down by \$1.22, \$1.88, and \$0.34 USD/cwt, respectively. The market will need to see some good demand news develop if the expected seasonal drop in cash prices is to be moderated. We say 'seasonal' because there are expectations for a 6.4% increase in pork production in the second half of the year that will be difficult to absorb if the current demand profile is maintained. That is to say, an overall reduction in the first half for 2019 US exports (by 2%) could be even more pronounced if China makes good on its promise to not buy any more US agricultural products (including pork) as a response to the threat of more tariffs on China set to go into force on September 1. The US export profile is dynamic, however, and losses in the second half to China could be offset by expected gains made in Mexico now that the section 232 retaliatory tariffs are removed. However, the important Japanese market is now less competitive for US actors (due to exclusion from the TPP) and Mexico has not yet fully recovered to prior levels (-17% y/y) - even expected gains in Mexico for the second half of 2019 could result in a net loss year over year for the entire profile due to losses in other important markets. The point is that there may not be enough *additional* export movements to offset overall supply expectations from July to December meaning prices would be pressured, as they normally are, heading into the autumn timeframe. Lean hog futures continued to recover from the lows seen earlier in the week for the second session in a row yesterday with some contracts bumping up against the daily limit high on thoughts a bottom could have been put in place and rumors of short covering activity. Markets are expected to remain volatile in the short-to-mid terms with any positive news on US/China trade likely to be supportive especially as the move lower that was seen at the beginning of August is thought to be overdone (oversold).

Canadian delivered soymeal prices opened even this morning. All focus is currently on the upcoming WASDE report that will be released mid-trade on Monday August 12. Average estimates ahead of the report according to Reuters are coming in at 81.01 million planted acres and a 47.6 bpa estimate on yield although it is important to note there is a lot of time before yield can be more accurately assessed. Average ending stocks estimates are pegged at 821 million bu.

US corn futures opened higher this morning. Like beans, the US corn futures market is eagerly awaiting fresh news on acreage that will be reported on Monday. The controversial acreage number in the July report is expected to be updated and average estimates ahead of the report are coming in at ~88.0 million acres. Yield projections currently sit at 164.9 bpa. Ending stocks expectations are at 1.620 billion bu. on average.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		155.67 160.61	151.60 153.86	142.90 149.50	142.00 144.69	144.90 154.78	156.61 160.77	160.13 161.32	165.41 169.29	169.72 179.12
Soymeal Delivered Wpg/S.Man	448	451	453	458	458	461				

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