

Hog Margin Outlook

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Monday, August 12, 2019

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

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US Slaughter	
2.354 mil.	Last Week
2.341 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$72.25
W. Corn Belt	\$71.85
National	\$82.45
ML Signature 5	\$183.81
HyLife (prev. day)	\$192.38
TCP/BP2	\$183.81
BP4/TCP4	\$193.49
BoC Rate (Noon) prev. day	
\$1.3221 CAD / \$0.7563 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	194.15/88.07
TCP/BP2	192.29/87.22
BP4/TCP4	190.42/86.37
Cumulative Top-Up Estimate	
\$2.60 CAD/ckg	
ISO Weans \$20.00 US Avg.	
Feeder Pigs \$35.32 US Avg.	

Forward contract prices opened higher this morning. US cash markets are starting the week off on a lower note with the ISM, WCB, and National reporting regions down \$0.78, \$0.34, and \$0.16 USD, respectively. While it is much too early to call the moves at the start of this week a seasonal trend just yet, the trade has entered the time when cash typically sees some pressure and cash markets have struggled to make gains since the beginning of August. This 'resistance' stands in contrast to the second round of support that developed about four weeks ago, but in recent days, information on expected pork production, an anemic cut-out value, less than stellar demand (albeit decent), and packers that are not motivated to aggressively bid are all, in part, weighing on the market. Lean hog futures, meanwhile, are volatile to start the week and most contracts have traded in a \$3.00+ USD/cwt. range since this morning's opening. The support that was witnessed earlier has waffled a bit and the market is under pressure. Regardless, the support that developed last week was not substantial, relatively speaking, and the trade remains at the March, pre-rally lows despite the earlier upward trend. In short, the fundamental news is not supportive enough and while many pundits are exasperated that the market has not responded to the massive amounts of hogs and pigs that are reportedly being lost in China and southeast Asia, US exports have not benefited to the degree as first thought, there are ideas China will actively avoid US pork amid the ramping up of trade hostilities until at least mid-September (when talks resume), and the net US export profile looking forward may not be enough to offset the massive amounts of pork that are expected to be produced in the current marketing environment. Lean hog futures are expected to 'trade the headlines' in the meantime where volatility in the short-to-mid terms is likely going to be a feature of the trade heading into the autumn.

Canadian delivered soymeal prices opened lower this morning. All eyes will be on the WASDE report that is scheduled to be released mid-trade at 11:00 AM (Central). Many observers ahead of the release are calling for a substantial or significant price reaction despite the fact traders have been positioning themselves since last week. US soybean futures are lower as of this writing as traders make last minute adjustments to their holdings. In the meantime, the average expectation ahead of the release places ending stocks at 821 million bu, yield at 47.6 bpa, and planted acreage at ~81.0 million acres.

US corn futures opened lower this morning. Price reaction in US corn futures could be (and is called to be) much more dramatic than the action seen in US soybeans as the acreage number in the July report was considered much more dramatic and generated substantial debate. Today, the average, pre-report estimates are coming in at ~88 million planted acres, a 164.9 bpa average yield, and 1.620 million bu. of ending stocks.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		158.11 160.90	154.13 156.39	142.64 149.24	141.73 144.43	146.56 156.44	158.27 162.97	161.49 163.51	167.28 171.16	172.11 181.50
Soymeal Delivered Wpg/S.Man	443	446	448	453	453	456				

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