

# Hog Margin Outlook

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Tuesday, August 13, 2019

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<b>US Slaughter</b>	
480,000	Tuesday
470,000	Year Ago
<b>Daily Prices</b>	
Iowa/S. MN.	\$70.83
W. Corn Belt	\$70.77
National	\$81.29
ML Signature 5	\$181.34
HyLife (prev. day)	\$189.34
TCP/BP2	\$181.34
BP4/TCP4	\$190.98
<b>BoC Rate (Noon) prev. day</b>	
\$1.3236 CAD / \$0.7555 USD	
<b>Cash Prices Week Ending August 10, 2019</b>	
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
<b>Cumulative Top-Up Estimate</b>	
\$2.60 CAD/ckg	
ISO Weans \$20.00 US Avg.	
Feeder Pigs \$35.32 US Avg.	

**Forward contract prices opened lower this morning.** The ISM and WCB cash reporting regions showed markets gave back about half of yesterday's losses coming in higher by \$1.12 and \$1.60 USD/cwt, respectively while the National region was down by a modest \$0.20. Regardless of regional movement, the trend this week has been for cash pricing to move lower relative to the previous week which is unsurprising considering typical seasonality and the current marketing environment. While packer profitability has improved in recent weeks, the net value of the carcass remains in the middle-of-the-road historically speaking despite some individual moves in the cuts that bear mentioning. For example, ribs and loins remain at all time lows (since 2011 when the series was first reported), presumably not having recovered from a dismal grilling season earlier, while bellies are making a comeback and on pace to set new records in a couple weeks for that time of year provided the current trajectory is maintained. Meanwhile, lean hog futures continue to exhibit features of a trade that is, for the most part, volatile, yet directionless, in the absence of certainty. Yesterday, the trade started off reversing the losses at the end of the previous session, but by the time the market closed, the October contract (most traded by volume) was approaching the daily limit low with the remainder of the contracts closing 1.17% to 1.84% lower on the day. While the move may seem counterintuitive considering the losses due to ASF, China appears to be digging in for a longer battle with the USA, potentially limiting direct market access in the short-to-mid terms and there is currently a giant 'question mark' over whether exports as backfill (or gains in non-traditional markets) can really offset the massive 6.4% year over year increase in pork production that is expected for the second half of 2019. To be clear, there is a potential for significant upside from current levels. However, the timing of such an event is presently unknown, and may not include the currently available forward contracting timeframes in the final analysis.

**Canadian delivered soymeal prices opened higher this morning.** Next week, crop tours will start to roll out and potentially challenge some of the official numbers that have been released by the USDA. The popular Pro Farmer Crop Tour starts next Monday, and information will start to be revealed soon after that in what usually proves to be a good source of debate – especially this year. In the meantime, US soybeans are once again pushing lower as traders reposition themselves based on last week's WASDE report and their own market views. Tomorrow morning, the weekly export sales report will be released before the market opens with many focused on China activity (or, potential lack thereof).

**US corn futures opened higher this morning.** US corn futures have finally found some footing after dropping ~12% since the release of the WASDE report last week and ~22% since the highs seen in mid-June. The drop follows a particularly bearish WASDE report that suggested 90 million acres will be planted for this year's harvest. High prices during the later than normal planting season are, in part, cited as rationale for farmers to 'push ahead' with corn despite the lateness of the crop. Final yield and quality have yet to be revealed, however, and there are a couple pundits suggesting an early frost or other inclement weather could quite quickly reduce production expectations.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		154.95 157.75	150.87 153.14	142.12 148.76	141.21 143.91	145.93 155.86	157.71 163.21	161.73 163.76	166.66 170.54	171.20 180.59
Soymeal Delivered Wpg/S.Man	448	452	455	460	460	463				

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