

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 15, 2019

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

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US Slaughter	
483,000	Wednesday
465,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$71.20
W. Corn Belt	\$70.54
National	\$80.64
ML Signature 5	\$181.32
HyLife (prev. day)	\$187.86
TCP/BP2	\$181.32
BP4/TCP4	\$190.53
BoC Rate (Noon) prev. day \$1.3311 CAD / \$0.7513 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 mostly higher this morning. US cash markets are mixed-to-lower for the second-last day of the reference period, strongly suggesting weekly prices will come in lower than the previous week when released later this afternoon, unless very strong (albeit unlikely) support materializes on today's afternoon reports. While cash pricing appears to be headed into a seasonal pattern lower, it is important to remember that values are approximately 10% higher than the same marketing week four-year average. In a refrain that is starting to sound repetitive, the lack of ASF-related demand in export markets relative to expectations in the face of an abundance of supply is keeping the upside potential in check for now. As well, the market will likely be facing a seasonal increase in hog weighs (therefore an increase in pork production) very soon; in fact, while not yet a trend, live weights bounced off lows at the beginning of August. History shows us that weights typically start to increase any time between now and the beginning of September. More pork in the absence of clear disappearance channels is always a pressuring force. All else equal, the cash market is likely poised for a seasonal turn lower in the short term if it hasn't begun that shift already. And while lean hog futures had an 'up' day yesterday, the futures market is well off the April highs when an ASF premium was at its highest, and about 15% lower than the last round of support seen in the second half of July. Today's weekly export sales report showed China committed to 10,200 MT in new sales and took 6,800 MT in physical deliveries, eschewing the idea that China would not purchase USA agricultural products announced last week after President Trump threatened another 10% tariff on \$300 billion in goods to be applied on September 1. While the US Administration has since 'walked back' the amount somewhat (mostly on electronics and consumer goods) and will not apply the 'full amount' until the middle of December, today's report is the first time the market could have a look at the consequences of the initial threat. It appears, China has not yet made good on the American ag-product 'boycott', in terms of US pork.

Canadian delivered soymeal prices opened lower this morning. US soybean markets are mixed as there is plenty news to move markets in either direction this morning. The weekly export sales report showed China cancelled 423,000 MT old crop orders but 586,000 MT were committed to 'unknown' destinations. Argentina's economic picture shows currency dropping and inflation rising with market watchers speculating if farmers will sit on their crops as a hedge (as some have in the past) until the bottom is reached. This is one to watch as the country is the world's number one exporter of meal and a very large producer of beans.

US corn futures opened higher this morning. Mexico continues to be a strong buyer of US corn taking 384,000 MT of it out of the total 707,900 MT delivered last week (or approximately 54% of the weekly volumes). Net sales to the rest of the world, however, were more disappointing coming in at 56,100 MT representing a 32% increase (!) over last week, but a decrease of 56% over the prior four-week average indicating a slowing sales pace unless commitments pick up in the coming weeks.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		154.86 157.67	150.88 153.16	143.07 149.72	142.16 144.87	146.70 156.63	158.47 162.78	161.30 163.33	167.45 171.35	171.52 180.98
Soymeal Delivered Wpg/S.Man	445	448	450	456	456	458				

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