

# Hog Margin Outlook

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Friday, August 16, 2019

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<b>US Slaughter</b>	
483,000	Thursday
455,000	Year Ago
<b>Daily Prices</b>	
Iowa/S. MN.	\$72.95
W. Corn Belt	\$72.70
National	\$79.95
ML Signature 5	\$183.33
HyLife (prev. day)	\$187.30
TCP/BP2	\$183.33
BP4/TCP4	\$189.09
<b>BoC Rate (Noon) prev. day</b> \$1.3325 CAD / \$0.7505 USD	
<b>Cash Prices Week Ending August 17, 2019</b>	
Signature 3	172.65/78.31
Signature 4	191.10/86.68
Signature 5	181.88/82.50
h@ms Cash	189.10/85.78
HyLife	N/A
TCP/BP2	189.61/86.01
BP4/TCP4	196.80/89.27
<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 mostly lower this morning.** US cash markets are finishing the week off on a mixed note with ISM and WCB regions up \$1.75 and \$2.16, respectively, while the National region is down \$0.69 USD/cwt. Despite the appearance of strength in the ISM and WCB regions, those markets have actually struggled to make gains, and while it is still too early to call it a trend, cash markets seasonally move lower starting around this time of year. Because ASF-export activity has come in much lower than expectations (not to mention a heating up of the trade war), there is some concern whether the market can be cleared at current price levels, adding pressure. Hams, loins, and ribs have struggled to make gains but the ever popular (and volatile) belly primal is currently on an upswing after seeing some pressure over the earlier part of the summer. Packer profitability has improved recently but the net value of the cut out is still pacing along the averages and packers do not have to aggressively bid amid ample supply. Lean hog futures, meanwhile, appear to be carving out a more established range after seeing significant volatility since March. To be clear, daily moves in the trade have been notable and, in some cases, daily limit values both higher and lower have been tested in one session meaning Canadian forward contract values could fluctuate by over \$14 CAD/ckg in one day (!). That range is still possible currently; what has changed, however, is that apparent resistance and support levels seem to be holding since after the August long weekend. What that means is, assuming no major developments, including but not limited to, ASF entering North America, or some massive commitments from Chinese buyers (or other partners as backfill), or some other major development, the trade may not immediately 'break out' of the ranges. The Chinese domestic live hog price is now at record levels, but there appears to be no panic or purchase activity relative to what is/was expected in terms of losses due to ASF yet. And while it is true Chinese actors have been buying US pork somewhat consistently (and above historical trends), their approach appears to be much more disciplined than what the market was previously pricing in.

**Canadian delivered soymeal prices opened lower this morning.** The US soybean market is 'up' to finish the week, but like hogs above, the price movement appears to be establishing a range rather than carving out a new trend higher or lower. Net performance of the trade has been to see beans down 17 cents (USD/bu.) since the start of the week. Crop tours start next week and information, while unofficial, can influence trading behaviour especially if the 'news' biases in favour of one market view or another.

**US corn futures opened higher this morning.** US corn futures appear to have stopped pushing lower for now and are trading higher in the early morning as of this writing. The move is not very impressive though and far from being considered a bounce. Post WASDE report action saw the trade fall some 10+ percent and the nearby contract is now trading near the \$3.66 USD/bu level after seeing over \$4.10 immediately before the WASDE release, and over \$4.60 in mid June.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		152.57 155.37	148.53 150.81	141.51 148.15	140.60 143.31	146.21 156.16	158.01 162.32	160.84 162.88	167.00 170.91	171.79 181.27
Soymeal Delivered Wpg/S.Man	442	445	447	452	452	455				

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