

# Hog Margin Outlook

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US Slaughter	
2.497 mil.	Last Week
2.459 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$72.87
W. Corn Belt	\$71.73
National	\$79.66
ML Signature 5	\$181.27
HyLife (prev. day)	\$186.82
TCP/BP2	\$181.27
BP4/TCP4	\$187.86
<b>BoC Rate (Noon) prev. day</b>	
\$1.3286 CAD / \$0.7530 USD	
Cash Prices Week Ending August 17, 2019	
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	188.18/85.36
TCP/BP2	189.61/86.01
BP4/TCP4	196.80/89.27
Cumulative Top-Up Estimate	
\$2.78 CAD/ckg	
ISO Weans \$21.89 US Avg.	
Feeder Pigs \$38.00 US Avg.	

**Forward contract prices opened lower this morning.** US cash markets are starting the week off under pressure with all reporting regions that establish the Western Canadian base price coming in lower than the previous session. Normally, this should be unsurprising as cash prices typically come under pressure \*around\* this time of year. To be sure, the real pressure does not materialize until cooler temperatures develop and fresh corn from harvest starts making its way to the barns. However, the market is also dealing with weekly year over year increases in slaughter (up 1.5% over year ago) and the net expectation for pork to be produced in the second half of 2019 is expected to come in near 6.4% over to the previous year. While that will likely be felt in later months, for now the market is also dealing with a net export profile that is coming in below expectations and while China has been buying US pork somewhat consistently (and at levels higher than the historical averages), the buying patterns appear to be more disciplined than anticipated and well under expectations. All told, cash levels are likely too high to clear the market of the current supply available and packers are in no rush to bid up values amid the abundance. Lean hog futures are starting off the week higher with all contracts currently trading at levels above last week's closing. However, the market has moderated since the open and all should remember that it is trading among five-month lows. Despite ideas that ASF is still widely out of control, rumors that new populations in China have been breaking with a second case of ASF following a clean out, that losses could be near 50% (reducing global stocks by 25%), that Chinese pig and pork prices are at record levels, and that the cold storage in China will be drawn down sufficiently enough to encourage more purchasing in the global marketplace, the futures market hasn't enough confidence that the buyers will land on the USA as a first choice and/or that the activity will clear the additional production expected this year. The optics are odd; China and the world 'needs' (or will need) pork and the USA has a clean supply of it. However, there appears to be more at play than logistics and the market is likely waiting for buying evidence (commitments or otherwise) to surpass the current pace.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are lower to start the week and maintaining the recently established range. The Pro Farmer crop tour starts this week and information will likely be soon coming. More so than other years, many pundits are awaiting the reports from the field, even though they are 'unofficial', as not many are in agreement with the USDA's current numbers. Regardless of officiality, the reports are often quite good with yield estimates by Pro Farmer coming in at 98% of the USDA's final reports.

**US corn futures opened lower this morning.** Even more so than in beans, traders and market watchers will be looking forward to the Pro Farmer crop tour information expected to be coming out soon. US corn futures have come under a lot of pressure since the USDA's last WASDE report and there is not much consensus on the numbers. Even more so than in beans, Pro Farmer has a good track record of estimating yield relative to the USDA coming in at 98.9% of the final numbers in the last seven years.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		148.88 147.75	143.61 145.88	135.76 142.39	134.85 137.56	140.29 150.21	152.05 157.71	156.23 158.26	162.37 166.26	167.77 177.20
Soymeal Delivered Wpg/S.Man	444	447	450	455	455	457				

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