

Hog Margin Outlook

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Tuesday, August 20, 2019

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US Slaughter	
472.000	Monday
446,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$71.91
W. Corn Belt	\$71.30
National	\$78.49
ML Signature 5	\$179.53
HyLife (prev. day)	\$183.54
TCP/BP2	\$179.53
BP4/TCP4	\$185.27
BoC Rate (Noon) prev. day \$1.3298 CAD / \$0.7520 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 higher this morning. US cash markets continue to push lower with ISM, WCB, and National reporting regions all down by \$0.96, \$0.43, and \$1.17 USD/cwt, respectively, from the previous day. Last week's cash action showed that the WCB region was 14.2% lower than the high set in week 30 (week ending July 27) although the National price was 7.1% higher than the same comparative period. However, the National region did move 2.9% lower than last week, lagging the WCB's trend. The 'results' show that it is much too early to call a seasonal decline in prices just yet, but in the absence of a positive demand story, cash prices could see some more pressure especially when cooler temperatures and fresh corn allow hogs to put on more weight, subsequently bringing more pork to the market. Lean hog futures made modest gains in yesterday's trade, but the market has a long way to climb out from the lows just yet. Despite yesterday's upward momentum, the October contract is trading at lows last seen last October, December is at six month lows, and the deferreds are still hovering at low values last seen four or five months ago (depending on the contract), all, not counting the 'dip' seen at the beginning of the month. President Trump's missive over the weekend, that he wasn't 'ready' for a trade deal with China, has had a cooling effect on the market, likely pushing remarkable gains further down the road, despite the fact that China and southeast Asia will likely need a lot of pork in the coming weeks or months (there is **no** consensus on timing no matter the quality of the information or of the analyst). Thursday's weekly export sales report will be closely watched for clues even if it doesn't capture all pork movements out of the USA. However, if the volumes don't break from the recent trends, the market will have little incentive to move substantially higher for now.

Canadian delivered soymeal prices opened even this morning. While there are still many concerns on the new crop supply side, currently heavy carryout estimates and a statement by President Trump over the weekend saying he was 'not ready' for a trade deal with China is keeping eyes firmly on the demand side and keeping any upside in check. As well, forecast for decent seasonal weather is limiting the extent to which prices can rationalize support at this time.

US corn futures opened lower this morning. Anecdotal evidence from crop tour watchers (and participants) started to trickle out yesterday and the 'results' are, so far, not very good suggesting the USDA's current estimate on yield, if the current trend from the beginning days of the tours hold firm, will likely be too high. In other news, US corn was further pressured last week when the EPA approved 31 of 38 small refinery exemptions (SREs) for 2018 in a decision the market has been waiting months for. The move is largely seen as pressuring to the ethanol and biofuels industry which use large amounts of corn (ethanol) – SREs mean certain refineries are exempt from blending ethanol and biofuels, which is bearish for pricing.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		151.95 153.08	147.89 150.17	142.65 149.30	141.74 144.45	146.41 156.36	158.21 163.61	162.12 164.16	168.31 172.22	173.71 183.19
Soymeal Delivered Wpg/S.Man	444	447	450	455	455	457				

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