

Hog Margin Outlook

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Wednesday, August 21, 2019

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US Slaughter	
482,000	Tuesday
465,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$70.53
W. Corn Belt	\$70.34
National	\$77.76
ML Signature 5	\$177.83
HyLife (prev. day)	\$181.99
TCP/BP2	\$177.83
BP4/TCP4	\$183.89
BoC Rate (Noon) prev. day	
\$1.3323 CAD / \$0.7510 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 mixed this morning. US cash markets are once again under pressure this week coming in \$1.38, \$0.96 and \$0.73 USD/cwt lower for the ISM, WCB, and National regions, respectively. While bellies have seen some strength in recent weeks, they have started to back off somewhat and the net value of the carcass is once again lower this week. There has been talk (and hope) that Mexico will start to more aggressively purchase hams in the not too distant future, but hams have moderated from the 2019 highs seen three weeks ago with the absence of firmer sales to Mexico. The ham primal makes up about 25% of the carcass so a decrease in ham values is noticeable and drags on the net value of the carcass when performing poorly. At least one economist has noted that the pressure in cash has more to do with the absence of exports, rather than too much supply (i.e. high slaughter) as slaughter numbers are only 0.5% above implied USDA projections based on the USDA's earlier Hogs and Pigs reports. Unfortunately, the export market has yet to perform and a statement yesterday by President Trump saying that someone has to 'take on' China eschews diplomacy and casts a shadow over future and potential USA/China trade talk developments. Lean hog futures, meanwhile, continued an upward path in the early trade yesterday, backed off a bit near the close but traded between 0.85% and 2.11% higher at the end of the day. Today the market has continued moved higher this morning, but as of this writing, it is choppy and not making substantial gains. Despite the passed two days of strength, futures markets are still well off the highs seen in April (and even July for that matter). Contracts would have to rally an additional 12-25% (depending on the contract) to reach the July highs alone, and an *additional* 6-16% after than to get back to April levels. The idea of the fourth quarter contracts putting in a significant rally between now and their expiration is increasingly unlikely in the current marketing environment and a hostile trading relationship. While not guaranteed, most are of the view future hedging opportunities will more likely surface for the contracts in the 2020 timeframe provided some headway on trading relationships develops, or concrete evidence on increased export activity starts being reported.

Canadian delivered soymeal prices opened lower this morning. Pod counts are starting to trickle their way out on social media platforms now that the Pro Farmer crop tour is underway. The consensus is that there is no consistency. That is to say, some areas are better than year ago, while others, quite unsurprisingly are worse. The only item most, if not all, participants agree on is that the crop is very behind in development and there are more than a couple suggesting early frosts could be a significant challenge this year, more so than others.

US corn futures opened lower this morning. Like beans, it really depends on the region being observed to determine crop status as there is substantial variation between growing areas. Preliminary estimates on yield for Indiana are coming in at 161.2 bpa (182.3 bpa last year) and for Nebraska at 172.6 bpa (179.2 bpa last year). There Pro farmer crop tour will wrap up near the end of the week with more areas unofficially reported in the interim (and a national average estimate) is expected on Friday.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		149.63 150.75	145.51 147.78	141.85 148.47	140.94 143.64	146.68 156.63	158.47 163.34	161.85 163.89	168.06 171.96	173.57 183.04
Soymeal Delivered Wpg/S.Man	442	445	448	453	453	455				

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