

Hog Margin Outlook

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Friday, August 23, 2019

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

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US Slaughter

482,000 Thursday
468,000 Year Ago

Daily Prices

Iowa/S. MN. \$65.35
W. Corn Belt \$65.26
National \$77.13
ML Signature 5 \$170.50
HyLife (prev. day) \$180.24
TCP/BP2 \$170.50
BP4/TCP4 \$181.99

BoC Rate (Noon) prev. day
\$1.3293 CAD / \$0.7523 USD

Cash Prices Week Ending August 24, 2019

Signature 3 168.77/76.55
Signature 4 184.32/83.61
Signature 5 176.55/80.08
h@ms Cash 182.32/82.70
HyLife N/A
TCP/BP2 181.88/82.50
BP4/TCP4 191.10/86.68

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. The ISM and WCB cash reporting regions are leading lower by \$2.61 and \$2.36, respectively, while the National region is down by a more modest \$0.33 USD/cwt. to finish the week. The net result of pricing over the past week's reference period has seen Canadian cash prices push lower by about 3% on average. While it is still too early to call it a trend just yet, historical evidence supports the idea that cash pricing will come under sustained pressure heading into the fall unless some substantial development occurs. The net pork cut-out was down by another \$1.30, slaughter remains high, and current demand profiles have not been enough to be supportive. Yesterday's cold storage report was released yesterday showing stocks remain plentiful for now. While pork in cold storage did get drawn down at a quicker pace than normally seen compared to month ago (as packers were motivated to move stocks amid higher pricing (2.9% drawdown)), levels were higher than year ago (9%) and the five-year average (4.8%). Lean hog futures are once again under pressure and have given up all the gains put in earlier in the week. More bearish news related to China/USA trade tensions was being reported ahead of the market's open today where China has announced retaliatory tariffs in response to the tariff threat President Trump made against China earlier in the month. If the US applies the new 10% tariff on the 'remaining' \$300 billion in Chinese goods, China will apply tariffs on \$75 billion of US products, in a manner identical to the staggered approach the USA is taking, on September 1 and December 15. US pork is on that list and is subject to an additional 10% tariff rate increase over and above the current 62% currently applied to US pork for a 72% total (beef will be tariffed at 47% under the new rates). The move, if implemented, will put US pork at an even more competitive price disadvantage, perhaps turning potential buyers to other sources for pork, or to competing meats altogether, regardless of whether China 'needs' pork due to ASF losses or not.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are lower to finish the week. The Pro Farmer crop tour has wrapped up and results should be posted later today. For the most part, the consensus is that, yes, yields are likely to be lower and the crop is very much 'behind'. However, it early frosts can be kept at bay, one scout has stated that at least for Iowa, the state could have year at or near average. As the tour progressed, some crops were 'getting better'. While there will likely be some stories of dreadful performance in certain areas, it might not be a big disaster, again, provided early frosts do not materialize. The one consensus is that the crop is very late!

US corn futures opened lower this morning. Similar sentiments can be expressed for corn vis-à-vis the Pro Farmer crop tour as in beans – the crop is late, but it might not be in terrible shape if killing frosts don't develop until after harvest. In other news, the US administration is considering rescinding up to eight out of the 31 Small Refinery Exemptions (SREs) previously granted amid a backlash from growers in ethanol (and bio-diesel) country adding even more uncertainty to the status of the exemptions at present.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #5		139.83 140.96	135.75 138.02	130.06 136.70	129.15 131.86	135.66 145.61	147.46 153.86	152.37 154.41	158.28 162.19	165.30 174.75
Soymeal Delivered Wpg/S.Man	441	444	446	452	452	453				

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