

Hog Margin Outlook

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Monday, August 26, 2019

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

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US Slaughter	
2.528 mil.	Last Week
2.521 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$63.88
W. Corn Belt	\$63.71
National	\$75.43
ML Signature 5	\$166.82
HyLife (prev. day)	\$176.47
TCP/BP2	\$166.82
BP4/TCP4	\$178.20
BoC Rate (Noon) prev. day	
\$1.3310 CAD / \$0.7513 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	180.78/82.00
TCP/BP2	181.88/82.50
BP4/TCP4	191.10/86.68
Cumulative Top-Up Estimate	
\$2.93 CAD/ckg	
ISO Weans \$19.28 US Avg.	
Feeder Pigs \$31.41 US Avg.	

Forward contract prices opened higher this morning. US cash markets are starting the week off under pressure with the ISM, WCB, and National reference regions down \$1.47, \$1.55, and \$1.70 USD/cwt, respectively. The pressure typically develops around this time of year, so the move is unsurprising. In fact, cash prices will likely see even more pressure heading into this autumn especially as the temperatures start to drop and hogs can put on more weight as fresh corn from harvest starts to be delivered to hog operations in the USA. Lean hog futures gapped higher at the open this morning following some good news for hog markets coming from the G-7 meeting in France over the weekend. President Trump and Prime Minister Trudeau sat down for a sideline bilateral meeting with both leaders praising the renegotiated NAFTA agreement. The agreement has yet to be ratified in the USA which is subject to much politicking at this time, but the meeting stood in contrast to the last meeting when president Trump subsequently denounced the joint communique in Charlevoix, Quebec. But that wasn't the big news; the item influencing hog futures higher this morning stems from news of an agreement in principle between Japan and the USA on a bilateral trade deal that effectively removes the 'extra' pork tariffs on the USA, thus allowing the US to compete on a more level playing field price-wise in Japan once again. Recall that president Trump removed the USA from the CPTPP while the other 11 countries moved forward and ratified the agreement, subsequently putting the US as a disadvantage. The Japanese market is critically important to the USA, often being the number one location for US-marketed pork by value and the announcement was welcome news for an ag sector that has been hard hit by ongoing trade disruptions and uncertainty. As well, further opportunities may exist as Japan is currently dealing with the less publicized, but potentially just as lethal, classical swine fever (CSF). The (re)opening of the Japanese market is welcome news and stands in stark contrast to the events that transpired on Friday when president Trump once again suggested adding additional tariffs on China which sent futures values to limit lows during the course of the session.

Canadian delivered soymeal prices opened even this morning. The Pro Farmer crop tour wrapped up last week and based on their observations, they project a total crop of 3.5 billion bushels on a 46.1 bpa yield estimates. While some sections of the tour confirmed that certain growing areas were hit harder due to inclement weather than others, the estimate, if close to being realized, will see the 6th largest bean crop to date, albeit 25% lower than last year.

US corn futures opened lower this morning. The Pro Farmer estimates for the US corn crop are for the 7th largest crop on record to be realized, producing 13.901 billion bu from a 163.3 bpa yield estimate (USDA currently yield estimate is at 169.5 bpa). Like beans, a lot of variations between regions was noted but some scouts posited the crop could come in near normal (i.e. averages). The only consensus on the tour was that crops (beans and corn) were well behind in development normally seen at this time of year which could be an issue if early frosts materialize.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			140.68 143.08	134.85 141.49	135.14 136.65	140.86 151.34	152.95 159.00	159.89 161.88	165.33 169.92	170.16 181.41	186.12 196.17
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h@ms Marketing Services will be closed Monday, September 2 for Labour Day (Canada and USA). The HMO and opening price reports will subsequently not be published. Normal business resumes on Tues., September 3.

STRENGTH IN NUMBERS

