

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 28, 2019

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

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## US Slaughter

485,000 Tuesday  
473,000 Year Ago

## Daily Prices

Iowa/S. MN. \$61.70  
W. Corn Belt \$61.66  
National \$73.56

ML Signature 5 \$161.59  
HyLife (prev. day) \$171.92  
TCP/BP2 \$161.59  
BP4/TCP4 \$173.23

**BoC Rate (Noon) prev. day**  
\$1.3267 CAD / \$0.7540 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 mixed this morning.** The more volatile ISM and WCB cash reporting regions gave up the previous day's gains and both turned lower by \$2.49 USD/cwt on average for today's reference price. The National region was down by \$0.71 continuing its more consistent trend lower as has been the recent trend. With not much supportive news for the immediate fundamental picture, cash markets were also pressured by a cut-out that saw a net negative \$4.92 change on the day. The big change was found in bellies that saw a whopping \$27.41 move lower which pushes the value of that primal 30.1% below the recent high seen only two weeks ago. While bellies typically see some seasonal pressure heading into the autumn, the degree of the shift so far is notable and if the weekly value continues to see this type of pressure for the remainder of the week, it will represent the steepest weekly decline in belly values since the data was being captured in this way (i.e 2013). Lean hog futures started off yesterday's session heading lower after the nearby contracts rallied to limit up levels the previous day following the news of an agreement in principle made between the USA and Japan on a trade deal. By the end of the day, the market moved higher, retracing the losses earlier in the session. All lean hog futures are lower at the open this morning. There are ideas that the market has priced in the Japan trade deal news and that gains could be limited in the absence of some other event. One 'event' most market watchers are waiting for is the Washington, DC meeting between Chinese and US trade officials to take place in September. In the meantime, the USA is facing an additional 10% tariff to be placed on US pork (72% total starting September 1) as a retaliatory response to the increase in tariffs the US will place on China, also on September 1. The jury is out regarding the duration of these actions, although there is some optimism that a positive meeting in September will reduce tensions.

## Canadian delivered soymeal prices opened higher this morning.

US soybean futures are testing the support levels of the recently established range as the fundamental news for beans remains slightly negative. An uptick in physical deliveries from China that started a couple weeks ago has the market 'hoping' for more activity from the region. However, the deliveries are simply the honoring of previous commitments and net bean volume is down 20% compared to year ago (all markets) and 55% down in China last week. The marketing year ends August 31.

## US corn futures opened lower this morning.

US corn futures are lower ahead of the EIA ethanol report that will be released later this morning. Ethanol production is closely watched as it currently utilizes about 1/3 of the US corn crop making it very important to the market. Production levels have been down over the last five weeks indicating weakening demand for corn from the sector as a trend. The average 3.8% lower production levels translate to between 6% and 7% less corn demanded from the ethanol industry.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			140.04 142.44	136.81 143.44	137.09 138.60	142.73 153.21	154.81 160.26	161.15 163.13	166.60 171.19	170.31 181.55	186.26 196.31
Soymeal Delivered Wpg/S.Man	442	442	444	450	450	452					

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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

