

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 29, 2019

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

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US Slaughter	
485,000	Wednesday
453,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$60.61
W. Corn Belt	\$60.75
National	\$72.88
ML Signature 5	\$160.09
HyLife (prev. day)	\$170.18
TCP/BP2	\$160.09
BP4/TCP4	\$172.07
BoC Rate (Noon) prev. day \$1.3301 CAD / \$0.7520 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 lower for one of the last days of the Western Canadian reference period with ISM, WCB, and National regions down by \$1.09, \$0.91, and \$0.68 USD/cwt, respectively. In the absence of any positive immediate demand story (or negative supply development, for that matter), cash markets appear to be destined for the seasonal trend lower. Prices, however, are no where near the lows seen last year at this time. Recall that the cash market collapsed in August in 2018 with marketing week 35 (i.e. this week) showing the lowest cash values for the year. This year it appears that the market is poised to move lower as more pork comes to market amid cooler temperatures, better weight gains, and an expectation of higher slaughter numbers in the near future. However, current cash levels are higher in all regions compared to 2016, 2018, and the 'four-year' average (four-year average constructed to exclude 2014). Adjusting for outliers, current modelling suggests cash prices could drop another 12% (approximately, all regions) heading into marketing week 40 (beginning of October) which is where cash markets are typically at their lowest (2018 notwithstanding). Lean hog futures continued to trade in an upward trend but are still far from the highs seen last April (and July) and are still very much rangebound and unable to break from current support and resistance levels. The market has largely priced in the Japanese/USA trade deal agreement in principle news for now. Physical increases in export activity will likely be needed to push levels higher and while there is much hope on the September meeting between China and USA in Washington DC, a firm date or commitment to meet has not been determined. This morning's export sales report showed global net sales near the recent trend, China committed to a modest 1,900 MT in new sales and took a disappointing 6,500 MT of physical deliveries from previous commitments. The market will need to see much more activity than that from China (and all markets) if significant support is to develop.

Canadian delivered soymeal prices opened higher this morning. New, net sales of beans came in at a disappointing 95,200 MT compared to the market expectation of 150,000 MT+ at the low end of the estimates. The closely watched physical export number came in at a more impressive 873,300 MT but even that number was 26% lower than previous week and 14% lower than the rolling average. At present, it looks like bean exports for the current marketing year are going to be near 20% lower than year ago. The marketing year ends on August 31.

US corn futures opened higher this morning. Concerns over the lateness of the crop and ideas that a 'normal' development of frost patterns could be considered early due to that lateness are supportive. There are mounting concerns that typical frost developments will be more damaging to the crop this year, as mentioned, because of how late it went into the ground, and its subsequent development. Ethanol production did rise in barrel numbers compared to previous week, but it is still 3% lower than last year and the pace is 1.1% lower than what's needed to meet projections.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			144.55 146.94	143.11 149.74	143.40 144.91	149.17 159.65	162.45 166.07	166.95 168.94	172.55 177.14	175.66 186.92	191.64 201.70
Soymeal Delivered Wpg/S.Man	446	446	450	455	455	457					

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STRENGTH IN NUMBERS



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.

