

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 30, 2019

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

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US Slaughter	
485,000	Thursday
468,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$58.00
W. Corn Belt	\$57.88
National	\$71.52
ML Signature 5	\$154.92
HyLife (prev. day)	\$167.42
TCP/BP2	\$154.92
BP4/TCP4	\$168.79
BoC Rate (Noon) prev. day	
\$1.3296 CAD / \$0.7521 USD	
Cash Prices Week Ending August 31, 2019	
Signature 3	150.13/68.10
Signature 4	173.47/78.69
Signature 5	161.80/73.39
h@ms Cash	171.47/77.78
HyLife	170.88/77.51
TCP/BP2	176.55/80.08
BP4/TCP4	184.32/83.61
Cumulative Top-Up Estimate	
\$2.93 CAD/ckg	
ISO Weans \$19.28 US Avg.	
Feeder Pigs \$31.41 US Avg.	

Forward contract prices opened mostly higher this morning. US cash markets are continuing their seasonal push lower with the ISM, WCB, and National regions down by \$2.61, \$2.87, and \$1.36 USD/cwt, respectively. Pressure began to develop about four weeks ago and the recently established pattern fits with the seasonal trend typically observed over this time. While the cash markets move lower, however, they are still between 4% (WCB) and 8% (National) higher than the values seen over the past four years on average and notably higher than last year when cash markets were under serious pressure at the end of August. WCB carries less of a premium currently because of the 'leading' nature of the series; WCB leads, both, higher and lower meaning the highs (and lows) usually develop in the WCB region before the National. In any event, cash markets are likely poised to move lower from current levels assuming no major market-moving development materializes, and as of this week, current modelling suggests another 15+% move to the downside in both markets when adjusted for outliers and assuming the 'low' appears at the beginning of the fourth quarter. Lean hog futures, meanwhile, have recently shown some features of a market that is attempting to move higher but have been unable to clearly and consistently break out of recently established resistance levels. As well, and despite the slow climb, the nearbys are just under 20% off the July highs and 26% away from the peaks seen last April indicating much more support is needed before returning to previous levels. Deferrers are likewise in a similar situation, but not to the same degree as the 2019 contracts suggesting the market is at least a bit more optimistic that ASF related demand from Asia will be supportive further out (the July contract is about 4% off the July levels and 8% off the values in April). Regardless, the market is simply going to have to wait for more substantive export demand (or trade development) news to provide the spark for a move significantly higher. A 'slow crawl' higher will be challenging in the face of pork production that is estimated to see between 6.4% and 7% more pork than 2018 in the second half of this year.

Canadian delivered soymeal prices opened lower this morning. The US soybean futures market is lower but most of the early morning commentary suggests the move has more to do with 'month end', short covering, and profit taking ahead of the long weekend (Labour day also observed in the USA on the same day as Canada), as opposed to any fundamental, technical, or news event influencing traders. Nearby beans are trading almost exactly in the middle of the recently established range.

US corn futures opened higher this morning. Corn continues to trade amid the new lows following that initial drop seen August 12 (WASDE report) which was preceded by a grind lower that developed in the middle of July. Weather will be closely watched as a normal frost pattern this year could be more damaging due to the lateness of the crop. Markets are closed on Monday, for the Labour Day long weekend in Canada and the USA.

Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			144.69 147.08	143.25 149.88	143.42 145.05	148.75 159.21	160.81 166.01	166.89 168.87	172.84 177.43	176.14 187.39	192.11 202.16
Soymeal Delivered Wpg/S.Man	442	442	445	451	451	453					

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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

