

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 3, 2019

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

www.hamsmarketing.ca

US Slaughter

2.461 mil. Last Week

2.464 mil. Year Ago

Daily Prices

Iowa/S. MN. \$56.22

W. Corn Belt \$56.13

National \$69.77

ML Signature 5 \$150.72

HyLife (prev. day) \$163.27

TCP/BP2 \$150.72

BP4/TCP4 \$164.65

BoC Rate (Noon) prev. day
\$1.3295 CAD / \$0.7522 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

\$3.18 CAD/ckg

ISO Weans \$22.24 US Avg.

Feeder Pigs \$37.02 US Avg.

Forward contract prices opened mostly higher this morning. US

cash markets in all reporting regions were down by at least \$1.75 USD/cwt in a move that is consistent with the seasonal trend seen typically at this time. But the real news revolved around the futures markets and of the developments on trade between USA and China, or, lack thereof. Lean hog futures took a notable turn lower mid-trade on Friday (but recovered slightly) after reports started circulating that the US administration intends to raise the 25% tariff on the previous \$250 billion in Chinese goods to 30% on October 1. To be clear, this is an **additional** tariff measure the US is levying against China and represents an increase in previous tariff rates currently in place. This is not related to the new tariffs recently announced that are set to go into force on September 1 and December 15. While the futures reaction to the news cannot conclusively be attributed ipso facto to the announcement, the timing of the market's reaction is suspect. Furthermore, Reuters was reporting on Friday that Chinese officials are publicly stating the current trade war with the US won't have any impact on pork supply in the country citing a historical 0.2% impact of US imports on total China pork output. While the 0.2% figure may be true, the officials are conveniently omitting that pig losses are up to 50% domestically so the missive is likely a political message intended for its domestic audience and, perhaps, a not-so-subtle hint aimed at the US. Meanwhile, over the weekend, China launched a WTO challenge to the new tariffs mentioned above. While market participants probably thought the ASF impact on US markets would have surfaced by now, the challenges of accessing the Chinese market appears to be getting worse, not better. Almost everyone agrees that ASF-related export demand support will appear in the USA at some point either due to direct market access or as backfill as the Chinese shun US product amid the trade hostilities. However, it appears, today, that the direct-access route has become more elusive, and market gains could take longer to materialize as the global pork trade becomes 'restructured'.

Canadian delivered soymeal prices opened lower this morning. An

intensifying trade war between the USA and China and non-threatening weather in the immediate forecast is pressuring. Crop conditions, released later today, are expected to be slightly downgraded, but for now, assuming no damaging frosts materialize, the crop could trend around the averages meaning another year of relatively large production in the US. No killing frosts are forecast for important US growing areas in the next couple weeks.

US corn futures opened higher this morning. Like beans, US corn futures

are lower on a relatively downbeat weekend of news that, while not impacting US corn directly, is weighing on the trade. Last week's news suggesting Japan will buy more US corn (or could) following a successful agreement in principle is a bit more nuanced than simple sound bites. Japan is already the number two export destination behind Mexico for US corn taking in some 21% of total US export volume in 2018 (Mexico at 25%). The question, then, is, how much **more** can Japan possibly take?

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		148.64 151.05	142.68 149.34	142.96 144.48	151.38 161.93	163.54 169.68	170.58 172.57	175.27 179.87	179.59 190.86	195.58 202.65
Soymeal Delivered Wpg/S.Man	440	444	449	449	451	455				

This bulletin is intended as a marketing tool for subscribed members only. Prices are *not* quotes and *all pricing is subject to verification*. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

follow us @hamsmarketing
twitter

STRENGTH IN NUMBERS

h@ms
MARKETING SERVICES