

# Hog Margin Outlook

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Tuesday, September 10, 2019

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US Slaughter	
485,000	Monday
458,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.72
W. Corn Belt	\$50.69
National	\$65.35
ML Signature 5	\$137.42
HyLife (prev. day)	\$151.53
TCP/BP2	\$137.42
BP4/TCP4	\$152.60
<b>BoC Rate (Noon) prev. day</b> \$1.3155 CAD / \$0.7602 USD	
Cash Prices Week Ending September 7, 2019	
Signature 3	134.42/60.97
Signature 4	160.96/73.01
Signature 5	147.69/66.99
h@ms Cash	158.96/72.10
HyLife	158.83/72.04
TCP/BP2	161.80/73.39
BP4/TCP4	173.47/78.69
Cumulative Top-Up Estimate	
\$3.46 CAD/ckg	
ISO Weans \$22.19 US Avg.	
Feeder Pigs \$36.15 US Avg.	

**Forward contract prices opened lower this morning.** US cash markets are lower with ISM, WCB, and National regions down \$1.99, \$2.02 and \$1.91, respectively. Now that the USA/China trade meeting in Washington DC originally planned for September is thought to be taking place in October (albeit in the absence of a concrete date), the cash (and futures) market has been focussing less on hope of eminently good trade news and more on the expectation of massive amounts of pork that will soon be coming to market which is pressuring. Furthermore, seasonality, combined with somewhat consistent pressure on the cut out, and amid only sporadic supportive moves upward have, in sum, put pressure on the cash market. Lean hog futures, meanwhile, saw a second day of pressure yesterday after seeing a limit move lower across most forward contracts on Friday. This morning, markets are lower and continuing the recent trend. There is an increasing chorus among pundits emphasizing that 'serious needs' for pork are \*proven\* by the large increases in pig and pork prices recently seen in China. While it is true prices have skyrocketed in China, those high prices only identify a supply-side constraint and a likely production deficit due to ASF. It does not determine 'need' which has been much more elusive. That is to say, there is no guarantee that China will buy US pork in any quantity (large or small) regardless if prices are four times higher (or higher) than some benchmark or price spreads between China and the USA continue to widen. To be clear, low cost pork will eventually flow to higher priced areas, but the timing of that event (and the conditions that allow for it) is very much up for debate. This morning's market activity shows that the nearby contracts are approaching contract lows once again and are starting to test support levels. The deferreds are not yet at contract lows, potentially indicating at least some optimism that ASF-related exports will improve further out. In the meantime, the market will have to wait for news on the October meeting in Washington that is eagerly anticipated.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are higher on some positive export activity and ongoing frost concerns. Weekly export inspections released Monday (which is different than the export sales report released on Thursdays) were slightly higher than last week but it is so early in the marketing year, the numbers do not yet point to any trend nor can conclusions be drawn at this point. The Crop Conditions report showed beans at 55% good/excellent condition which was unchanged from the previous week.

**US corn futures opened higher this morning.** US corn exports fared a bit better than the previous week but like beans, it is too early in the marketing year to draw any conclusions from the information. Crop progress showed US corn is also 55% good/excellent condition, but the number reflects a move lower by 3%. Denting stage is estimated at 55% compared to a 77% five-year average and highlights the lateness of the crop. Like beans, the US corn crop could be at a significant frost risk.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		135.72 136.67	126.24 132.81	126.40 128.02	132.69 143.08	144.67 154.18	155.06 157.03	160.37 164.92	169.07 180.21	184.88 194.84
Soymeal Delivered Wpg/S.Man	439	441	448	448	447	452				

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