

Hog Margin Outlook

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Wednesday, September 11, 2019

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US Slaughter	
485,000	Tuesday
472,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$48.92
W. Corn Belt	\$48.95
National	\$64.66
ML Signature 5	\$134.49
HyLife (prev. day)	\$149.70
TCP/BP2	\$134.49
BP4/TCP4	\$150.95
BoC Rate (Noon) prev. day \$1.3153 CAD / \$0.7603 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 higher this morning. US cash markets continue to push lower and are trending along seasonality. All regions are lower relative to the previous day as cash markets appearing to be coming to grips with the idea that a swift round of new orders from Mexico (largest market by volume), Japan (largest market by value) or China (potentially a significant growth market) are not going to materialize soon. While there is an ongoing push in the USA to get the new NAFTA (USMCA) ratified in the USA and, more importantly, that the previous counter-tariffs on US pork are now removed by Mexico, an influx of ham buying from Mexico (most popular cut) has yet to be revealed in the data. The agreement in principle between Japan and the USA was welcome news over the August long weekend, but there are still some details to finalize and the deal is not yet done. China, meanwhile, appears to be doing everything it can to manage the impacts of ASF 'by itself' and there are some reluctant commentators finally acknowledging that China could attempt to purchase from other suppliers ahead of the USA, likely, as a result of the trade war taking place between the two nations. One must remember that the US domestic market is still the largest point of disappearance for US pork. However, current demand appears to be unable to absorb the extra production that is expected in the second half of this year, now estimated to be approximately 7% above year ago production. Lean hog futures rapidly moved higher mid trade yesterday for no apparent fundamental reason although an article from the South China Morning Post that was making the rounds mid-trade implied that China may buy more US agricultural products ahead of or during the next trade meeting in Washington 'to get a better deal'. The market has since turned lower, hinting that yesterday's move was widely speculative in nature and more concrete evidence of purchase activity is going to be needed for a move higher to be sustained. In the meantime, markets remain highly volatile.

Canadian delivered soymeal prices opened even this morning. Analysts estimates ahead of tomorrow's WASDE report have been released by Reuters with old crop beans pegged to come in with ending stocks of 1.054 billion bu on average and a range of 1.015 and 1.084 billion bu. If correct, it would represent the highest amount of ending stocks for the September report going back to 2010. The average ending stocks value for this report (2010-2018) is 377 million bu (!) with only 2018 coming in higher than the 500 million bushel mark.

US corn futures opened lower this morning. Expectations ahead the September WASDE report tomorrow are coming with an average ending stocks number of 2.401 billion bu and a 2.280 to 2.4160 billion bu. range. Like beans, the pre report estimate is relatively high with historical values showing ending stocks published in the September report are 1.607 billion on average (2010-2018). 2016 and 2017 were also above 2 billion bushels.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		135.25 136.20	132.35 138.93	132.52 134.13	137.89 148.27	149.86 158.52	159.39 161.36	164.63 169.17	173.04 184.17	188.84 198.78
Soymeal Delivered Wpg/S.Man	440	441	448	448	447	452				

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