

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 17, 2019

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

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US Slaughter	
487,000	Monday
414,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$45.76
W. Corn Belt	\$45.74
National	\$61.52
ML Signature 5	\$127.86
HyLife (prev. day)	\$143.53
TCP/BP2	\$127.86
BP4/TCP4	\$144.66
BoC Rate (Noon) prev. day \$1.3248 CAD / \$0.7548 USD	
Cash Prices Week Ending September 14, 2019	
Signature 3	118.61/53.80
Signature 4	151.68/68.80
Signature 5	135.15/61.30
h@ms Cash	149.68/67.89
HyLife	148.72/67.46
TCP/BP2	147.69/66.99
BP4/TCP4	160.96/73.01
Cumulative Top-Up Estimate \$3.82 CAD/ckg	
ISO Weans \$26.41 US Avg.	
Feeder Pigs \$38.98 US Avg.	

Forward contract prices opened mixed this morning. US cash markets are lower on the second day of the marketing week and all reporting regions are now in a well-established seasonal pattern which is to say lower. While there was some support in the ISM and WCB regions yesterday, the move likely does not reflect a significant counter-seasonal move at this time. Current modelling shows that the seasonal low appears by marketing week 40 on average which is only two weeks away. However, recall that the benchmark is only the average and lows are not guaranteed at that time. For example, the annual low price materialized in August last year while in 2016, a recovery didn't develop until the third last week of the year (i.e. in December). Last week's slaughter showed a significant 12.4% increase over year ago, but the notable move was likely due to logistics when producers held back shipments following the impacts of Hurricane Dorian. Next week's numbers should provide more clues in that regard, but large kills are expected heading into the autumn. Lean hog futures continue to exhibit features of a volatile trade and nearby contracts showed significant support at the close yesterday. This morning, markets are backing off from the higher closing values but have not yet erased all gains from the previous session. Despite yesterday's move at the close, and factoring in the reversal this morning, the nearby contracts are approximately 12% lower than the July support and quite a way from the April highs. Much more substantive information will likely need to be revealed before more solid support (which is expected) returns to the market.

Canadian delivered soymeal prices opened lower this morning. Crop progress came in at the 54% good/excellent expected level against 67% last week but some analysts have reminded readers that does not mean 46% is in terrible condition. It against this backdrop that could see crop production near averages if killing frosts don't do widespread damage. While higher-level trade negotiations between China and the USA are not scheduled until early October, less senior negotiators are expected to meet in Washington DC for preliminary talks.

US corn futures opened lower this morning. The market saw an upward trend recently due to a possible rise in ethanol demand along with support from a dry South American crop. As yesterday's Crop Progress Report suggests, crop conditions continue to look adequate but still below the average in terms of corn condition. Barring an unexpected early frost, there is still potential to see a respectable yield which could put downward pressure on the market, all else equal.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		145.11 145.27	155.36 161.99	155.52 157.15	157.37 167.85	169.45 174.66	175.55 177.53	180.38 184.95	186.62 197.83	202.52 212.53
Soymeal Delivered Wpg/S.Man	447	449	456	456	456	461				

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