

Hog Margin Outlook

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Wednesday, September 18, 2019

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

488,000 Tuesday
 420,000 Year Ago

Daily Prices

Iowa/S. MN. \$45.39
 W. Corn Belt \$45.37
 National \$60.93
 ML Signature 5 \$126.81
 HyLife (prev. day) \$142.07
 TCP/BP2 \$126.81
 BP4/TCP4 \$143.38

BoC Rate (Noon) prev. day
 \$1.3257 CAD / \$0.7543 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 lower this morning. US cash markets continued lower, albeit a bit more modestly than seen in recent days, and the ISM and WCB reporting regions were both down by \$0.37 USD/cwt. It is slightly unusual for both regions to be down by the exact amount, but it is purely coincidental; the National region was down by \$0.59 USD/cwt. The moves put the WCB region (a component in two western Canadian program prices) at its second lowest value for the marketing year and the lowest value for the same post-2014 marketing week. The price, however, is not the lowest seen after the summer highs. August 2018 and December 2016 both saw the WCB at lower levels and without some positive demand or negative supply developments, the region could still push lower before support develops. Packers are unlikely to push bids higher amid abundant supplies and the weakest cut-out value on the recent record. Lean hog futures, meanwhile, continue to demonstrate volatility with the December contract pushing to limit low at the close following a strong close in the previous session. While the consensus is that the push lower approaching August was a bit overdone, the market has struggled to make gains especially as uncertainty around the USA/China trade talks remain. A delegation of Chinese officials are in Washington, DC this week to lay out the groundwork for upper level trade talks set to take place in October, but the October meeting date has not yet been revealed. All market watchers are eagerly awaiting the event and for the subsequent news for direction. In other news, the US Federal Reserve is expected to make an announcement on interest rates later today (25 basis point cut expected) which could influence a reaction in the value of the Canadian dollar.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures continue to struggle to make gains despite recent announcements of Chinese purchases poised to ship from the Pacific Northwest (PNW) for delivery this year which is widely thought to be a gesture of good faith ahead of trade talks in October. While commentary ahead of the talks is generally optimistic, the market really has very little to base projections on amid trade uncertainty. Despite the optimistic tone, the situation is very dynamic and far from resolved.

US corn futures opened lower this morning.

Uncertain yield is still one of the largest factors on how corn prices will move going forward. Weather and headline news will be main variables in what is driving the market until it has stronger data on yield numbers. Last week, White House officials asked biofuel company representatives to increase their biofuel blending quotas by 5%, which is widely considered a political move observing the Small Refinery Exemption (SRE) fallout that surfaced last month when 31 of 38 exemptions were issued.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		143.20 143.37	150.25 156.87	150.41 152.04	154.87 165.32	166.92 173.20	174.08 176.06	179.52 184.10	186.03 197.25	201.95 211.97
Soymeal Delivered Wpg/S.Man	444	445	452	452	452	457				

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STRENGTH IN NUMBERS

