

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, September 19, 2019

For details call: (204)235-2237 or visit www.hamsmarketing.ca

US Slaughter	
488,000	Wednesday
436,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$45.01
W. Corn Belt	\$44.99
National	\$60.05
ML Signature 5	\$125.45
HyLife (prev. day)	\$140.12
TCP/BP2	\$125.45
BP4/TCP4	\$141.47
BoC Rate (Noon) prev. day \$1.3271 CAD / \$.7535 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 once again lower than the previous day and appear to have no rationale to move higher at present. Packers are not motivated to push bids higher amid the ample supply of live animals and the pork that is coming to market will also soon be abundant. Live hog weights came in at 281.3 lbs on average last week, higher than last year and the five-average, but slightly down from week ago, and have recently demonstrated to be tacking along the seasonal trend upward which is typical at this time of year. The week over week momentum normally backs off by next week, but the historical trend is to remain on upward tack until the end of the year. When slaughter numbers and weights are combined, analysts have estimated an additional 7% pork in the marketplace for the second half of the year (July to December) which will keep cash prices in check unless pork disappearance in all channels picks up. While physical export deliveries have been quite good, the increased activity relative to previous years has not been enough to be price supportive. Lean hog futures continue to trade within the new range that appears to have been established after the announcement last week that China/USA trade talks were warming up. The idea that there could be a more positive outcome than in the past from the high-level talks scheduled to take place in October, is front and centre in the current reporting. However, anything is possible, and nothing is certain. While market participants are hopeful of a positive outcome, the market is very much in a wait-and-see holding pattern, having nothing substantial to spark the next rally...yet. One of the reasons for that is China has not materially shown up in the weekly export sales reports. This morning's report showed China made *no new* commitments, pushing net sales numbers down 35% compared to the previous week. They did take 5,900 MT in physical deliveries, but much more than that will be needed in order to clear the market. In other news, the US Federal Reserve, yesterday, dropped interest rates another 25 basis points in a move that was widely expected. Net result on the Canadian dollar was muted and the drop in rates was unsurprising to the market.

Canadian delivered soymeal prices opened even this morning. Net sales of US soybeans came in at 1.725 MMT in this morning's weekly export sales report that is released before the market open on Thursdays (for the previous week's activity, also with a Thursday week ending date). Net soybean sales were 625,000 MT higher than the upper end of the pre-report estimated range that was pegged between 700,000 and 1,100,000 MT. China was the most active buyer, coming in at 593,000 MT, or ~34% of the weekly total.

US corn futures opened higher this morning. The USDA's most recent Feed Outlook report on September 16th suggested that global corn output is projected at 3.4 million tons lower than last month with a large part of that reduction coming from the US. Despite a reduction in the projection of the Ukrainian crop output, corn export projections in the US have not changed meaning global feedstocks will only be modestly lower. This morning's export sales report showed net sales of 1.464 MMT against a 900,000 to 1,300,000 MT pre-report expectation.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		142.42 142.59	153.30 159.92	153.46 155.09	156.17 166.63	168.23 173.67	174.55 176.54	180.00 184.58	184.41 195.63	200.34 210.36
Soymeal Delivered Wpg/S.Man	444	445	452	452	452	457				

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