

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 20, 2019

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

US Slaughter	
488,000	Thursday
438,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$45.13
W. Corn Belt	\$45.01
National	\$60.46
ML Signature 5	\$125.84
HyLife (prev. day)	\$141.21
TCP/BP2	\$125.84
BP4/TCP4	\$142.28
BoC Rate (Noon) prev. day \$1.3259 CAD / \$0.7542 USD	
Cash Prices Week Ending September 21, 2019	
Signature 3	110.58/50.16
Signature 4	143.97/65.30
Signature 5	127.28/57.73
h@ms Cash	141.97/64.40
HyLife	NA
TCP/BP2	135.15/61.30
BP4/TCP4	151.68/68.80
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. For the first time in recent memory, all reporting regions posted prices higher than the previous day although the move was modest, relatively speaking, with ISM, WCB, and National up by \$0.12, \$0.02, and \$0.41 USD/cwt, respectively. On average, cash prices bottom out near the beginning of October and while there are some lower prices on record compared to current levels (2016 and 2018 for example), there is no rule that says prices must be at any level at any time. This one supportive event is not indicative of a trend and the fundamentals still do not support a move higher at this time, but markets have also recovered around this time of year too. Lean hog futures markets continue to trade, on balance, in recently established ranges, but news further out contains more bullish bias than bearish. China's chicken (broilers), hog, and pork prices are now at record levels, surpassing the previous records set back in 2016 during the last domestic shortage by significant amounts. Piglet prices recently bypassed 2016 levels as well. While less expensive pork will likely flow to higher priced regions at some point, current China/USA price spreads in this case are relatively less important due to the externalities of the trade war and a centrally planned economy interrupting free market movements. High prices in China are arguably more important in terms of what it means for inflation, food security, and social stability. To date, the Chinese government has been on a public relations offensive claiming the situation is under control and that their domestic policies (including, but not limited to, releasing strategic reserves of pork and subsidising through limited purchases (i.e. rationing)) are in place to ensure price stability and supply. And an argument can be made that some of it seems to be working – live hog prices, while historically high, have backed off from the recent trajectory. But a sustained period of high-priced primary proteins will inevitably be inflationary and while some rationing will occur at high prices, pork still remains the most popular and important protein in the country. Yesterday, there was talk that beef and soybeans will have tariffs removed soon, but no word on pork. The October meeting in Washington DC is highly anticipated.

Canadian delivered soymeal prices opened higher this morning. The US soybean futures trade saw some support following yesterday's weekly Export Sales report that showed net sales come in 625,000 MT higher than the upper pre report estimate. The market drifted lower shortly after and this morning, the market has backed off as the threat of frost appears to be abating for now. Dry planting conditions in South America could be supportive further out and the weather in South America, like the harvest weather in the USA, will be closely watched.

US corn futures opened lower this morning. Short covering has nudged futures prices slightly upward over the week. However, the modest rise in futures markets could also be a function of improving (and warmer than average) weather across the Corn Belt as suggested in the Climate Prediction Center's most recent weather report released on September 19th. A delegation from China is also reported to be visiting US agricultural regions next week in a good faith, diplomatic gesture in an effort to warm the ongoing negotiations which could have an impact on demand for US products if concluded successfully.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			152.56 159.20	152.73 154.36	156.28 166.76	168.37 175.38	176.26 178.25	181.72 186.31	187.27 198.51	203.23 213.28
Soymeal Delivered Wpg/S.Man	445	446	453	453	453	458				

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