

# Hog Margin Outlook

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Monday, September 23, 2019

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US Slaughter	
2.587 mil.	Last Week
2.334 mil.	Year Ago
Daily Prices	
Iowa/S. MN.	\$44.39
W. Corn Belt	\$44.34
National	\$59.43
ML Signature 5	\$123.97
HyLife (prev. day)	\$138.69
TCP/BP2	\$123.97
BP4/TCP4	\$140.04
<b>BoC Rate (Noon) prev. day</b> \$1.3275 CAD / \$0.7533 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	141.12/64.01
TCP/BP2	135.15/61.30
BP4/TCP4	151.68/68.80
Cumulative Top-Up Estimate	
\$4.15 CAD/ckg	
ISO Weans \$31.13 US Avg.	
Feeder Pigs \$39.71 US Avg.	

**Forward contract prices opened lower this morning.** After some mild, and brief support seen in the US cash markets last week (one day on Friday), markets have returned to their seasonal trend lower to start the week. Nothing has fundamentally changed; supplies remain ample (both in terms of the availability of live animals and of subsequent pork production), and while the overall demand market remains steady (and exports remain higher than historical averages, on balance), the combined domestic and export disappearance profiles have not been enough to usher market clearing activity at current pricing. The weekly slaughter for week ending September 21 came in at a very large 10.1% higher than year ago and follows the previous week's massive 12.4% increase that was thought to be a function of logistical issues stemming from Hurricane Dorian. It is possible that this week's year/year increase is still related to the impacts of Dorian while things get back to normal, but it appears the cash market will nonetheless have to contend with massive production levels in the short term. Lean hog futures are starting the week off on a supportive tone with all futures contracts higher in the early morning session. The move follows a weak finish on Friday as futures markets reacted to a news item late in the session suggesting there might be some difficulty on the China/USA trade front brewing. Chinese delegates cancelled plans to visit farms in Montana and Nebraska while laying out the groundwork for the higher-level talks scheduled to take place in October. It is true that the Chinese delegation has cancelled the visits, but it is not confirmed this is due to souring trade talks. This example highlights the sensitivity and volatility currently seen in the markets which is unlikely to subside in the short term. The October meeting could provide some clarity; it could also influence another round volatility.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures turned lower on Friday following the news on the Chinese trade delegation mentioned above but have turned around and are higher as of this writing. Friday's move is largely seen today as massive speculation stemming from a news item that, while true, may have nothing to do with the tenor of the talks. Crop conditions will be released later today with the market looking for a slight decrease in the good/excellent category from 54% last week to 53% later today.

**US corn futures opened higher this morning.** A large component of the futures prices could be waiting on more solidified ethanol news for direction. President Trump met with senators from US oil producing states on Thursday of last week to discuss biofuels policy. It was reported that the president was "very engaged" to find a solution for issues related to biofuel production. US corn futures are higher to start the week after a weak finish on Friday.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			149.45 156.07	149.61 151.24	154.39 164.86	166.34 174.31	175.19 177.17	180.28 184.86	185.22 196.44	201.26 211.16
Soymeal Delivered Wpg/S.Man	448	449	457	457	456	461				

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