

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 24, 2019

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<b>US Slaughter</b>	
454,000	Monday
469,000	Year Ago
<b>Daily Prices</b>	
Iowa/S. MN.	\$45.14
W. Corn Belt	\$45.11
National	\$57.98
ML Signature 5	\$123.14
HyLife (prev. day)	\$135.45
TCP/BP2	\$123.14
BP4/TCP4	\$136.56
<b>BoC Rate (Noon) prev. day</b> \$1.3270 CAD / \$0.7536 USD	
<b>Cash Prices Week Ending September 21, 2019</b>	
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
<b>Cumulative Top-Up Estimate</b> \$4.15 CAD/ckg	
ISO Weans \$31.13 US Avg.	
Feeder Pigs \$39.71 US Avg.	

**Forward contract prices opened mixed this morning.** US cash markets are mixed on the second day of the marketing week with ISM and WCB regions showing some support approximately \$0.75 USD/cwt over the previous session while the National region continues its seasonal trend down, coming in \$1.45 lower than the previous day. The inconsistency between the regions is not indicative of a shift just yet and oftentimes, the thinly 'traded' negotiated regions will behave differently than the National region which includes other aspects of price discover in its value (e.g. forward contract values, the cut-out value, and costs of production). Nevertheless, cash markets, despite coming under pressure from large kills, heavier animals, and subsequently, more pork, are also approaching the time of year when some support could re-enter the market as retailers place orders ahead of the holiday season, and some important export markets 'come back' such as South Korea that typically buys when prices are low in the fall. This year, reports of ASF might incite South Korean buyers to purchase even more pork, but as has been learned with the China experience, the markets (cash and futures) will simply have to wait for more concrete evidence from which to base the next supportive move. Lean hog futures are higher this morning on news making the rounds suggesting August pork imports into China are up 76% from year ago. The USDA agency responsible for the monthly export data has not published values for Augusts yet so the claim, while likely, cannot be analysed against US export terms although when the data is revealed it will likely show a smaller USA share going into China relative to other global competitors. Considering the ASF situation, the import news is unsurprising, but US exporters have yet to fully benefit from the China pork shortage.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are higher on news that new cargoes of beans for October to December delivery are being purchased ahead of the trade talks next month, and also talk that tariff waivers for state and private buyers could be granted to up to 2-3 MMT of beans for the autumn delivery. Yesterday's crop conditions came in line with the pre-report expectation showing 54% in good/excellent conditions against the backdrop of a late planting and a 59% good/excellent rating last year.

**US corn futures opened lower this morning.** Yesterday's Crop Progress Report showed on September 23<sup>rd</sup>, harvested corn is currently 4% lower than the 5-year-average but it is still very early in the harvest to draw conclusions just yet. Matured corn has a larger gap at 28% below the average, highlighting the lateness of the crop. The NOAA released a weather report on September 23<sup>rd</sup> forecasting warmer temperatures in the Eastern part of the corn belt, cooler temperatures in the West, and above average rainfall throughout.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			152.21 158.83	152.38 154.01	156.19 166.64	168.12 174.27	175.15 177.13	180.59 185.17	184.94 196.15	200.97 210.87
Soymeal Delivered Wpg/S.Man	452	453	461	461	460	464				

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