

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 25, 2019

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

US Slaughter	
489,000	Tuesday
470,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$46.42
W. Corn Belt	\$46.40
National	\$59.65
ML Signature 5	\$126.48
HyLife (prev. day)	\$139.30
TCP/BP2	\$126.48
BP4/TCP4	\$140.27
BoC Rate (Noon) prev. day \$1.3249 CAD / \$.7548 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 higher this morning. For the second day in a row in the weekly reference period, all reporting regions are higher than the previous day with ISM, WCB, and National up \$1.28, \$1.29, and \$1.67 USD/cwt, respectively. This despite ongoing pressure in the cut-out (down \$0.44 relative to previous day) and a second week in a row of large slaughter levels (last week up 10+%, following 12+% the previous week). There is talk that China has started buying US pork again which could be revealed in tomorrow's weekly export sales report. The weekly report does not show all customs codes related to pork (which are instead captured by the monthly report that is on a two-month lag), but market watchers have been paying close attention to the weekly numbers as a proxy and for clues on delivery activity. Immediate evidence of disappearance in domestic and export markets would provide support especially observing the cash markets typically 'bottoms out' around this time of year. Lean hog futures, meanwhile, struggle to make gains and are once again lower in the immediate minutes following the open despite the news remaining neutral to bullish. While the outbreak of ASF on the Korean Peninsula is not 'good news' for anyone in the industry in South Korea, it could be supportive further out following a potential increase in domestic supply due to culls as was also witnessed in China. This is one to watch closely as South Korea, while not as big as Japan or Mexico in terms of value and volume, is still a very important export destination for US pork that typically is price sensitive and makes large purchases in the fall. There are news articles surfacing that the Japanese foreign minister has declared bilateral trade deal negotiations are over and a final agreement has been reached, quelling speculation on snags earlier that there were some issues regarding Japanese autos. North America continues to wait for all countries to ratify the new NAFTA agreement (USMCA); all eyes are on the Chinese market for ASF purchases to finally materialize. The market will simply have to wait a bit longer for evidence that any one of these issues will be positive for the US hog industry and, of course, that ASF stays out of North America.

Canadian delivered soymeal prices opened lower this morning. News of autumn commitments of beans to China have been supportive over the past couple sessions but US soybean futures are lower as of this writing. The 'new' bean purchases have been priced in for now and the market is simply waiting, like lean hogs, for positive news to start the buying once again. Typically, export commitments and deliveries pick up heading into October. The weekly sales report will be closely watched for clues on direction.

US corn futures opened lower this morning. Over the last 30 days there has been larger than average rainfall in the northern, mid-west part of the Corn Belt, once again raising concerns on crop yield and quality heading into harvest. This week it was announced by the USDA that there have been 200,000 tonnes of US corn sold to Mexico for 2019/20 delivery. While not a huge amount relatively speaking, Mexico remains one of the most important markets for US corn.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			154.45 161.08	154.62 156.25	158.40 168.88	170.36 176.65	177.53 179.52	182.91 187.50	186.74 197.97	202.80 212.72
Soymeal Delivered Wpg/S.Man	447	449	457	457	456	461				

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