

Hog Margin Outlook

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Thursday, September 26, 2019

For details call: (204)235-2237 or visit

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US Slaughter	
475,000	Wednesday
472,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$49.37
W. Corn Belt	\$49.33
National	\$59.52
ML Signature 5	\$130.09
HyLife (prev. day)	\$138.79
TCP/BP2	\$130.09
BP4/TCP4	\$140.20
BoC Rate (Noon) prev. day \$1.3270 CAD / \$.7536 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 mixed this morning. US cash markets are mixed heading into the end of the week but while the National region was lower by a modest \$0.13 USD/cwt, the ISM and WCB regions came in higher at \$2.95 and \$2.93, respectively, suggesting more competition from packers for volumes of uncommitted hogs. Although price reactions cannot be conclusively determined at this time, there is historical precedent for prices to 'turn around' near this time of year after reaching post-summer lows. There could be any increase in demand due to any number of factors which develops seasonally, including but not limited to, increased bidding amid the lows, building stocks, increased demand from wholesalers in anticipation of retailer demand to feature further out, and/or increased demand from export channels. There is talk that China has purchased significant amounts of pork relative to recent history last week, but the export sales report released at 8:30 AM, Eastern time, failed to register amounts anywhere near what was suggested earlier this week (see below). Lean hog futures are higher than yesterday's opening prices, on balance, but lower than this morning's open, as of this writing. The week's climb higher appeared to be in anticipation of information suggesting Chinese buyers were active in the US market and purchased approximately 100,000 MT of pork which is notably higher than the recent history. However, the Export Sales report showed *only* 32,000 MT in net sales to all markets, of which 3,400 MT was sold to China. Physical deliveries to China came in at 6,100 from previous commitments. It should be stated that the weekly report does not capture all customs codes and products such as split carcasses, for example, are not captured in the weekly numbers. The silver lining for US exporters, then, is that the volumes and sales to China may be in fact higher than what the weekly report suggests. Unfortunately, the market will not be privy to this information until the monthly report comes out, which, is on a two-month lag, therefore rendering the weekly report a poor metric by which to gauge more current market dynamics. It is used as a proxy nonetheless.

Canadian delivered soymeal prices opened lower this morning. The USDA's weekly export sales report showed net bean sales came in at 1.038 MMT with China taking over a third of that volume at ~391,000 MT. The announcement of over 600,000 MT Chinese purchases revealed earlier will not show up until next week's report. China took 207,000 MT of physical deliveries for week ending September 19 which is not expected to change drastically in the near term. The commitments made earlier in the week are for delivery in the October to December timeframe.

US corn futures opened lower this morning. This morning's export sales report showed weekly exports at 278,922 MT which comes in approximately 39% less than last week's corn exports. Net sales were reported this morning at 493,966 MT and approximately 66% lower than last week. Both lower export numbers and net sales from the previous week have put pressure on the market and could be in part cited as rationale for the slight downward trend in corn futures prices seen throughout the week.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			154.21 160.83	154.38 156.01	158.51 168.96	170.43 176.52	177.40 179.38	182.83 187.41	186.13 197.33	202.15 212.05
Soymeal Delivered Wpg/S.Man	445	447	455	455	455	460				

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