

# Hog Margin Outlook

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Friday, September 27, 2019

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## US Slaughter

490,000 Thursday  
470,000 Year Ago

## Daily Prices

Iowa/S. MN. \$50.43  
W. Corn Belt \$50.27  
National \$59.30

ML Signature 5 \$130.88  
HyLife (prev. day) \$138.49  
TCP/BP2 \$130.88  
BP4/TCP4 \$139.57

**BoC Rate (Noon) prev. day**  
\$1.3260 CAD / \$0.7541 USD

## Cash Prices Week Ending September 28, 2019

Signature 3 114.50/51.94  
Signature 4 139.33/63.20  
Signature 5 126.91/57.57  
h@ms Cash 137.33/62.29  
HyLife NA  
TCP/BP2 127.28/57.73  
BP4/TCP4 143.97/65.30

**Cumulative Top-Up Estimate**  
\$4.36 CAD/ckg

ISO Weans \$31.13 US Avg.  
Feeder Pigs \$39.71 US Avg.

**Forward contract prices opened higher this morning.** US cash markets are mixed to finish the week with ISM and WCB regions up by \$1.06 and \$0.94 USD/cwt, respectively, while the National region is down by \$0.22. In recent days, the ISM and WCB regions have posted consistent gains relative to the previous day, likely, as packers are competing more aggressively for the supply of uncommitted hogs. While it is much too early to call it a trend, a turnaround in cash markets can be conventional at this time of year following the period of pressure that develops after the summer highs. ISM and WCB regions are typically more sensitive to fundamental developments, and subsequently 'lead' higher (or lower) depending on the trend at the time. It is therefore unsurprising to see the National regions still trend lower even though the other two monitored regions are headed back up; if a new trend is developing, the National region will be expected to mirror the turnaround in ISM and WCB relatively soon, after finding its own 'bottom'. Again, it is much too early to call the seasonal bottom just yet, but early indications are that a recovery in cash markets could be materializing. The quarterly Hogs and Pigs report will be released after trading today and the market will not be able to react to the information until Monday morning. Analysts estimates ahead of the report expect all hogs and pigs to be up on average by 2.9% compared to the June report that showed all hogs and pigs to be up by 3.6%. In other news, the date(s) for the China/USA trade meeting in Washington DC appears to now be set for October 10 and 11. Volatility will likely be a feature of the futures markets ahead of and during the meeting while information remains speculative. While there is much speculation on the tone and potential result of the meetings, there is absolutely no consensus or guarantee on the outcome of the talks.

## Canadian delivered soymeal prices opened lower this morning.

Optimism on more China purchases and export numbers near the middle of the expected range of pre-report estimates appears to be priced in for now. Harvest weather and frosts remain a concern but unthreatening to close the week and US soybean futures are lower as of this writing. Messaging from Chinese officials ahead of the October trade meetings now set for October 10-11 are generally positive yet with a hint caution. China, it appears, is willing to buy more ag products that are 'needed' by the Chinese market, but diplomats warn both sides need to reduce 'pessimistic language' in a not so subtle shot over the bow of the more public and vocal US side.

**US corn futures opened lower this morning.** The EIA weekly supply estimates released September 25 showed weekly ethanol production at 943,000 barrels per day for the week ending September 20<sup>th</sup>, which is net 60,000 less than the previous week. The 9% decrease year/year represents the lowest production since 2015, but ethanol production remains one of the largest consumers of US corn utilizing approximately one third of the crop annually.

Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			156.68 163.29	156.85 158.47	159.23 169.67	171.15 176.83	177.71 179.69	183.39 187.97	186.37 197.59	202.42 212.33
Soymeal Delivered Wpg/S.Man	441	441	448	449	451	457				

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