

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, October 7, 2019

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

www.hamsmarketing.ca

US Slaughter

NA Last Week

NA Year Ago

Daily Prices

Iowa/S. MN. \$49.69

W. Corn Belt \$49.58

National \$61.96

ML Signature 5 \$133.74

HyLife (prev. day) \$145.36

TCP/BP2 \$133.74

BP4/TCP4 \$146.45

BoC Rate (Noon) prev. day
\$1.3317 CAD / \$0.7509 USD

Cash Prices Week Ending October 5, 2019

Signature 3 121.68/55.19

Signature 4 144.10/65.36

Signature 5 132.89/60.28

h@ms Cash 142.10/64.46

HyLife 143.81/65.23

TCP/BP2 126.91/57.57

BP4/TCP4 139.33/63.20

Cumulative Top-Up Estimate

\$4.54 CAD/ckg

ISO Weans \$31.16 US Avg.

Feeder Pigs \$42.78 US Avg.

Forward contract prices opened lower this morning. All three US cash markets are lower to start the week in a move that would be considered counter-seasonal if the past couple weeks of upward momentum were indeed coming off seasonal lows. Of course, one day of weakness doesn't infer a new trend and there could be any number of reasons packers weren't bidding as aggressively in the latest published round, but processors absolutely do not have to drive up bids to ensure a full production schedule. There is simply a lot of supply and the low cut out value is ensuring packer profitability despite seeing some margin decreases over the past couple weeks. For context, today's daily National region is currently 2% lower than the average weekly adjusted value witnessed in the same marketing week while the WCB is 14% lower. Lean hog futures are off to a weak start with the December and February contracts flirting with daily limits low in the pre-market open. The weakness stems from headlines over the weekend suggesting that China will "...narrow the scope for U.S. trade deal..." (Bloomberg, updated October 7, 2019) and suggesting that Chinese negotiators will limit the discussion, to the best of their abilities to do so, on the range of issues currently between the two countries. The projection of the Chinese position, if true, highly suggests a wide-ranging agreement in principle such as reached by Japan and the USA earlier is out of the question for this round of talks, potentially dragging out the conflict and further retaliation by an unpredictable US administration. The meetings nonetheless have been announced to start on Thursday, October 10 as reported earlier, and the market will be watching intently for clues on direction.

Canadian delivered soymeal prices opened even this morning. US soybean futures are down to start the week following the news that China may be heading into the recent round of talks (scheduled to start this Thursday) with an agenda that might not be amenable to any wide-ranging agreement this week. The October WASDE report will also be released this week with the trade looking for a reduction in new crop ending stocks on recent Chinese purchases and ideas that buying will continue if the trade relationship warms up.

US corn futures opened higher this morning. On Friday, President Trump's administration unveiled a plan to boost the consumption of US biofuels starting in the year 2020. The plan would require oil refiners to increase the portion of ethanol in their fuel blends as well as remove barriers for the sale of gasoline blends with higher ethanol. The weekly crop progress report will be released today at 3 p.m. and Thursday's WASDE report will be closely watched for further clues on direction.

Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		142.36 145.64	142.52 144.15	145.76 158.41	159.89 165.67	169.07 172.98	176.45 181.05	181.84 194.78	198.90 208.24	201.05 206.82
Soymeal Delivered Wpg/S.Man	461	462	464	467	469					

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h@ms 2019 Fall Marketing Meeting Schedule

Meeting	Date and Time	Location
Swift Current, SK	Tuesday, Oct. 22nd - 12:00 Noon	Coast Swift Current Hotel - 905 North Service Road East
Starbuck, MB	Thursday, Oct. 24th - 2:00 PM	Starbuck Community Hall - 25 Main Street
Strathmore, AB	Wednesday, Oct. 30th - 12:00 Noon	Travelodge - 350 Ridge Road