

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, October 8, 2019

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

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US Slaughter	
489,000	Monday
473,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.06
W. Corn Belt	\$49.99
National	\$61.74
ML Signature 5	\$133.87
HyLife (prev. day)	\$144.71
TCP/BP2	\$133.87
BP4/TCP4	\$145.82
BoC Rate (Noon) prev. day \$1.3306 CAD / \$0.7515 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 higher this morning. US cash markets are mixed with the ISM and WCB regions up by \$0.37 and \$0.41 USD/cwt, respectively, while the National region is down by \$0.22. Cash markets have been inconsistent, mostly fundamental uncertainty. Normally at this time of year, prices start to recover from the autumn lows, mostly, due to the seasonal demand that develops even as slaughter levels and hog weights also recover. A cut-out value coming off the lows, and finally not the lowest on record for the marketing week, are starting to support this idea. Slaughter levels are also up indicating strong demand from processors. However, there still remains a large question on whether both export and domestic markets can absorb the large supplies at current price levels. For example, daily slaughter has eclipsed 490,000 per day for the first time in recent weeks but has accomplished this twice within the last 30 days. Previously, 480,000 would have been considered large-to-exceptional. To be sure, additional capacity has aided in processor production capabilities, but it still represents a large volume of product that must be sold at some point. In the absence of a clearer demand profile that, while good, does not represent market clearing levels, cash markets will likely struggle to make significant gains this fall. Lean hog futures, likewise, are also struggling to make gains as news on the China/USA trade front has not influenced optimism in the futures yet. Yesterday, the nearby contracts reached limit lows once again and pushed the trade to lows last seen before the trade agreement in principle made between the USA and China. This morning, the nearbys reversed their course and are trading higher as of this writing. Deferred contracts are currently trading at post-2014 highs indicating there is some optimism further out, but most in the trade are of the view there is potentially more upside provided the USA and China can resolve some trade issues and increase the flow of pork to the region. High-level negotiators in the dispute will meet in Washington DC this week starting on Thursday, October 10.

Canadian delivered soymeal prices opened even this morning. Yesterday's Crop Progress report showed that 53% of the soybeans actually in the ground were in good/excellent condition and while notably lower than previous year's 68%, some analysts are quick to point out that does not mean the remainder is in 'terrible' condition. In fact, the amount of the crop in the lowest category ('very poor'), is coming in only 1% higher than previous year at 4% which, was also 1% higher than last week (so, a downgrade), but not indicative of an inevitable disaster provided the weather remains non-threatening.

US corn futures opened higher this morning. The USDA released their weekly crop progress report yesterday showing corn condition at 56% good to excellent. Harvest was rated at 15% complete, up 4% from last week and 12% behind the 5-year average. President Trump's administration released that they have come to an agreement that their plan to boost US biofuel will include around 16 billion gallons of ethanol to be blended with the country's fuel, but the timing on when exactly those 16 billion gallons will enter the fuel supply is still under question.

Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		148.47 151.76	148.64 150.28	149.51 162.20	163.69 168.68	172.09 176.01	179.35 183.95	184.39 197.35	201.47 210.83	203.11 208.88
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