

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 10, 2019

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

490,000 Wednesday
467,000 Year Ago

Daily Prices

Iowa/S. MN. \$54.78
W. Corn Belt \$54.78
National \$64.41

ML Signature 5 \$143.06
HyLife (prev. day) \$151.03
TCP/BP2 \$143.06
BP4/TCP4 \$152.33

BoC Rate (Noon) prev. day
\$1.3324 CAD / \$.7505 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 mixed this morning. US cash markets are higher for the second day this week with ISM, WCB, and National regions up \$2.33, \$2.37, and \$1.20 USD/cwt, respectively. The move comes despite very little on the domestic front; the pork cut-out was lower relative to the previous day with pressure in loins, bellies, picnics more than offsetting modest gains in hams, butts, and ribs. The export market is now thought to be carrying the momentum upward with some analysts citing higher values of identical cuts relative to their domestic counterparts essentially pulling pork into that channel. But while the export market is performing well relative to history, it is still far below what was expected when the ASF story first broke in August of 2018. Lean hog futures have shrugged off what would normally be considered a positive weekly export sales report that saw China commit to 123,400 MT of pork for 2020, a significant amount relative to recent history. A couple likely reasons for the modest-to-null response this morning (as of this writing) includes a less-than-clear outcome on the China/USA trade talks currently taking place in Washington DC and the fact that the deferred contracts representing a 2020 delivery timeframe are already trading at a premium relative to history. The idea, of course, is that China 'optimism' is already (somewhat) priced-in to the deferred futures and today's export sales report merely confirms what the market has been anticipating. Regardless, the market likely needs to see multiple weeks of significant Chinese commitments, and then for buyers in China to make good and take delivery of those commitments. Recall, commitments are not physical sales and can be cancelled at any time. As such, the meetings in Washington, DC will be closely watched for clues on progress (or lack thereof) while volatility in the markets will be likely feature of the trade until more certainty is known. For now, futures remain in the middle-to-upper levels of the recently established range, so far, despite the pessimistic tone this morning.

Canadian delivered soymeal prices opened lower this morning.

Net sales of export beans came in at 2.092 MMT which is completely in line with the historical trends seen over the past few years. A closely watched category moving forward will be the 'weekly exports' one which this week showed physically deliveries at 1.038 MMT. This is also completely in line with historical performance but next week, shipment usually pick up by about two or three times this week's volume with China taking the bulk.

US corn futures opened lower this morning. The weekly export sales report was posted by the USDA this morning and saw corn exports at 474,396 tonnes which was about a 4% increase from last week. Corn sales came in at 284,456 tonnes which is significantly less than the expected range of 500,000 to 800,000 MT. The October WASDE report will be published mid-trade this afternoon.

Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		151.15 154.43	151.31 152.94	154.62 167.28	168.77 171.43	174.84 178.75	182.27 186.88	185.15 198.11	202.23 211.59	204.54 210.32
Soymeal Delivered Wpg/S.Man	471	472	474	477	479					

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h@ms Marketing Services will be closed Monday, October 14
for Thanksgiving (Canada).

The HMO and Opening Price reports will subsequently not be
published.

STRENGTH IN NUMBERS

