

# Hog Margin Outlook

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Friday, October 11, 2019

For details call: (204)235-2237 or visit [www.hamsmarketing.ca](http://www.hamsmarketing.ca)

US Slaughter	
489,000	Thursday
476,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$56.78
W. Corn Belt	\$56.68
National	\$64.30
ML Signature 5	\$144.92
HyLife (prev. day)	\$150.79
TCP/BP2	\$144.92
BP4/TCP4	\$151.73
<b>BoC Rate (Noon) prev. day</b> \$1.3294 CAD / \$.7522 USD	
Cash Prices Week Ending October 12, 2019	
Signature 3	128.57/58.32
Signature 4	149.17/67.66
Signature 5	138.87/62.99
h@ms Cash	147.17/66.76
HyLife	148.64/67.42
TCP/BP2	132.89/60.28
BP4/TCP4	144.10/65.36
<b>Cumulative Top-Up Estimate</b> \$4.54 CAD/ckg	
ISO Weans \$31.16 US Avg.	
Feeder Pigs \$42.78 US Avg.	

**Forward contract prices open mostly higher this morning.** US cash markets are mixed at the end of the week with ISM and WCB regions up \$2.00 and \$1.90, respectively, while the National region is down by a modest \$0.11 USD/cwt. Despite the daily mixed action in the cash markets, prices remain on a steady trend higher and the support seen in the US cash regions has influenced Canadian prices higher week over week with prices for week ending October 12 up by more than \$5.00 CAD/ckg compared to week-ago for most regions in Western Canada. Slaughter levels remain historically high and the 489,000 estimated yesterday represents a seemingly 'new normal' heading into the fall. The 490,000 level was reached for the first time in early October which would have been unheard of not that long ago. Of course, new plant capacity has aided the ability to process more hogs, but the market is still struggling with an unclear demand picture further out which could weigh on the cash markets for the remainder of the fourth quarter. It is for this reason that the trade, on balance, is very much focused on the most recent round of trade talks between China and the USA which will be wrapping up today. Simply put, the outcome could go either way, but China represents a unique market opportunity for the current supply 'problem' and there is an increasing chorus of media and pundits touting the idea of a 'mini' deal (as opposed to an all-encompassing bilateral agreement in principle), that may or may not include pork as an agricultural product up for negotiation. It is all very speculative at this juncture and the market will simply have to wait until after trading when there is an expectation of an announcement later this afternoon, before the Chinese delegation goes home. Lean hog futures, meanwhile, were relatively and notably less volatile yesterday (when the high-level talks started) and are muted this morning in the early trade, potentially, taking a 'risk-off' stance until some concrete trade development news surfaces later today. Next week's open could be volatile depending on the information learned later today. Canadian markets will be closed on Monday for the Canadian Thanksgiving long weekend, but the USA will be open as normal.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures turned higher yesterday following the October WASDE report that dropped ending stocks estimates below the average pre-report estimate to 460 million bu. While this number does not stand out by itself as being particularly low, it is important to remember that ending stocks estimates in May were over 1 billion bu. The USDA has dropped that estimate in subsequent reports to the current level which is more 'normal' for this time of year.

**US corn futures opened higher this morning.** Information on yesterday's WASDE report was bearish relative to expectations. The report showed corn production at 13.779 billion bu, which was 125 million bu above the average pre-market estimate. Yield came in higher than expected as well at 168.4 bpa, with the pre-WASDE expectation at 167.5 bpa. The US corn ending stocks number was reported at 1.929 billion bu, a 7.5% increase from the expectations.

Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		152.65 155.92	152.82 154.44	155.73 168.29	169.77 172.81	176.19 180.07	183.83 188.41	184.19 197.06	201.16 210.46	205.07 210.85
Soymeal Delivered Wpg/S.Man	470	471	473	476	478					

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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

