

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, October 25, 2019

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

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US Slaughter	
491,000	Thursday
476,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$53.68
W. Corn Belt	\$53.53
National	\$67.91
ML Signature 5	\$142.95
HyLife (prev. day)	\$156.40
TCP/BP2	\$142.95
BP4/TCP4	\$157.60
BoC Rate (Noon) prev. day \$1.3075 CAD / \$0.7648 USD	
Cash Prices Week Ending October 26, 2019	
Signature 3	133.32/60.47
Signature 4	158.26/71.79
Signature 5	145.79/66.13
h@ms Cash	156.26/70.88
HyLife	N/A
TCP/BP2	148.30/67.27
BP4/TCP4	154.00/69.85
Cumulative Top-Up Estimate \$4.67 CAD/ckg	
ISO Weans \$26.00 US Avg.	
Feeder Pigs \$42.58 US Avg.	

Forward contract prices opened lower this morning. US cash prices are all headed in the same direction to finish the week. Unfortunately, that direction is lower as very large supply numbers start to pressure cash markets at, coincidentally or not, relatively the same time of year cash markets typically trend lower. The daily pressure in the WCB region seen over the past week (and only modest gains in the National region) have resulted in the first time weekly base prices are starting to turn lower since the end of September. Incidentally, cash markets usually see about a five-week run up of support on average following a seasonal turn lower (not matter when it develops) and this year is no different...so far. The expected ASF-related demand has not materialized as strongly as anticipated despite some evidence showing the price spreads in pork between China and the USA are at levels to still influence purchasing at currently tariffed rates – while it is true that Chinese buyers are buying pork from the USA in record quantities, the volumes have fallen somewhat short of expectations. Meanwhile, lean hog futures have once again returned to the lower end of the recently established range that developed in mid-September. Futures trended lower all week and have given up almost entirely all the gains from the previous week. It is also true that lean hog futures are trading at a premium relative to historical cash settlements which, some argue, is a function of the ongoing pork movement into export markets (despite the high tariffs) and a sense of cautious optimism. However, the values are no where near where the more bullish pundits were projecting only months ago. Again, a lacklustre pattern of China buying (despite record levels) is at the heart of the matter. There is talk that China will make an official request to have some of the ‘new’ tariffs (and future tariff threats) removed as a condition of moving forward on more agriculture purchases, and perhaps the fate of the so-called ‘Phase One’ deal itself. Early reporting suggests Chinese negotiators want to ‘get back’ to the original \$250 billion tariff rate before more progress is made. The market will be watching very closely for developments on this front.

Canadian delivered soymeal prices opened lower this morning. Like in lean hogs, US soybean futures market watchers are eagerly awaiting news to surface regarding details on the phone call set to take place today between China and USA trade negotiators. Commentators ahead of the news suggest more ag purchases (especially beans) are unlikely in the face of current tariff levels. Between 5 and 10 MMT of beans have been suggested as a ‘good faith’ purchase ahead of the Phase One signing but have yet to surface in the official USDA data.

US corn futures opened lower this morning. Despite some challenging and wet weather forecast in the Eastern harvest areas over the next five days, there is talk progress could be made in other critical growing regions further west this weekend as the weather becomes slightly drier and a bit more cooperative for harvesting and field work.

Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		138.25	138.18 139.55	138.33 154.42	159.37 163.25	163.54 169.38	176.09 179.04	178.99 191.60	195.77 204.96	198.96 204.62
Soymeal Delivered Wpg/S.Man	457	457	458	461	464	464				

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Remaining h@ms 2019 Fall Marketing Meeting Schedule

Meeting	Date and Time	Location
Strathmore, AB	Wednesday, Oct. 30th - 12:00 Noon	Travelodge - 350 Ridge Road