

Hog Margin Outlook

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Tuesday, November 5, 2019

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

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US Slaughter

491,000 Monday
477,000 Year Ago

Daily Prices

Iowa/S. MN. \$46.47
W. Corn Belt \$46.41
National \$64.00

ML Signature 5 \$130.61
HyLife (prev. day) \$148.21
TCP/BP2 \$130.61
BP4/TCP4 \$149.37

BoC Rate (Noon) prev. day
\$1.3148 CAD / \$0.7610 USD

Cash Prices Week Ending November 1, 2019

Signature 3 121.31/55.03
Signature 4 153.23/69.50
Signature 5 137.27/62.27
h@ms Cash 151.23/68.60
HyLife 150.88/68.44
TCP/BP2 145.79/66.13
BP4/TCP4 158.26/71.79

Cumulative Top-Up Estimate

\$5.14 CAD/ckg

ISO Weans \$29.87 US Avg.

Feeder Pigs \$44.41 US Avg.

Forward contract prices opened mixed this morning. US cash markets are once again lower relative to the previous day in a trend that has not been widely broken in recent weeks except for the odd occasion where some interday reversals are noted. All monitored reporting regions are trending lower as seasonality takes hold but there could be some supportive news on the horizon. An article appearing in Reuters published online early this morning has revealed a story where a Smithfield plant in Smithfield, Virginia has been retooled to supply split carcasses for the Chinese market. Recall that Smithfield is now Chinese-owned and the plant processes approximately 10,000 head per day. When the plant was shut down earlier, the official reason was for 'upgrades'. While only this one plant is making the news, and Smithfield restates the importance of the US domestic market in its official releases, it could hint at a trend of things to come; as an aside, both Tyson and JBS (USA) have announced earlier that they will be eliminating ractopamine hogs from their operations – ractopamine is prohibited in China. It is much too early to draw any conclusions and it will be necessary to observe trade data to determine the impacts. Unfortunately, the market will have to wait for that information as split carcasses are not on the list of weekly-reported data and instead only revealed on a two-month lag when all customs HS codes are captured on the monthly report. On that note, customs data for September should be released later today and will be watched very closely. Lean hog futures have shown some support in the early morning session after residing amid the lows in recent days. Nothing substantially has changed on the fundamental supply and demand front, but there are indications (like the ones above) that a more positive export profile could be developing. Even so, it is important to note that exports to China are actually better relative to history despite the high tariffs; volumes just haven't met expectations. While many forward contract prices are also good relative to cash settlement history (depending on the timeframe observed), the consensus is that risk is to the upside, especially for the deferred months, meaning the market has potential to rally on positive demand news which almost all believe is coming but waiting for confirmation.

Canadian delivered soymeal prices opened lower this morning.

Yesterday's Crop Progress report showed that soybean harvest is estimated at 75% complete, up 13% from last week's 62% but 6% lower than last year and 12% lower than the 87% five-year average. The estimate came in exactly at the pre-report expectation. All eyes will be on the November WASDE report which will be released this Friday, November 8 during trading hours.

US corn futures opened lower this morning.

The US corn crop is estimated at 52% complete, coming in 2% lower than the weekly pre-report estimates. Challenging harvest weather continues to hinder the pace. For comparison, the five-year average at this time of year is 77% but analysts are quick to point out that this year's pace is not the lowest on record. In the meantime, final production numbers will be hotly debated until revealed. The WASDE report is scheduled for release on Friday that will likely usher in further debate as many have been especially critical of the USDA's assessments this year.

Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		141.93 144.02	138.72 154.92	161.97 163.30	163.58 169.47	175.83 178.79	180.40 193.07	197.26 206.50	202.18 107.28	196.20 204.74
Soymeal Delivered Wpg/S.Man	448	450	453	456	456	464				

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