

Hog Margin Outlook

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Wednesday, November 6, 2019

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US Slaughter	
491,000	Tuesday
475,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$45.83
W. Corn Belt	\$45.82
National	\$64.20
ML Signature 5	\$130.18
HyLife (prev. day)	\$148.57
TCP/BP2	\$130.18
BP4/TCP4	\$149.89
BoC Rate (Noon) prev. day \$1.3153 CAD / \$0.7603 USD	
Cash Prices Week Ending November 2, 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. Breaking news for the Canadian pork industry surfaced yesterday as it was announced the Chinese ban on pork (and beef) has been lifted. While export market access is of paramount importance in Canada due to an export ratio near 70%, Canadian price support will likely have to wait until the USA gains (more) export access due to the current pricing regime north of the border. Regardless, a normalization of pork trade between China and Canada is a welcome development. US cash markets are mixed mid-week with ISM and WCB regions continuing to push lower by about \$0.60 while the National region was up by a modest \$0.20 USD/cwt. If the cash market was looking for evidence of a 'stronger' export demand picture, it did not get it conclusively yesterday. To be sure, September volumes were the best on record going back to 2010 (and likely further) according to Foreign Agriculture Service data that was released after trading in the monthly report. However, it also marked the second consecutive month global volumes declined and the lowest volume since February. China also showed good, monthly, historical performance, but like the global trend, values came in lower than the previous month at 'only' 44,000 MT which while being a record, was also the smallest volume going back three months. The positive news is that China is still buying US pork despite the tariffs and the year-to-date volume to China is already higher than all of 2014, 2015, 2017, and 2018 totals. Moreover, second-half exports traditionally don't pick up until October and the market will be looking for a repeat of that trend in the next monthly update currently pegged for release on December 5; recall that customs data is delayed by two months. Lean hog futures moved higher yesterday, but not because of the recent announcement(s). In fact, the move likely took place as a result of technical repositioning at recently oversold levels. Futures are lower this morning, seemingly disappointed with the export numbers released yesterday and no further rationale to push higher for now.

Canadian delivered soymeal prices opened even this morning. The November WASDE report will be released mid-trade tomorrow. Estimates coming out ahead of the report show average bean yield at 46.6 bpa bringing in a potential 3.510 billion bu. production and 428 million bu in ending stocks at current disappearance estimates. The drawdown in ending stocks has been an interesting development to watch – in June, new crop ending stocks were pegged over 1 billion bu.

US corn futures opened mixed this morning. Like the bean market, US corn traders will be looking to November's WASDE report for clues on direction when released tomorrow. Average estimates ahead of the report show the market is expecting a 167.5 bpa yield to produce 13.643 billion bu with new crop ending stocks pegged at 1.817 billion bu. representing the second lowest value since ending stocks were consistently pegged over 1 billion bu. starting in 2013.

Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		141.67 143.76	139.82 156.05	161.04 163.65	163.94 169.83	176.41 179.38	180.69 193.39	197.59 206.85	202.12 207.23	196.24 204.78
Soymeal Delivered Wpg/S.Man	448	450	453	456	456	464				

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