

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, November 7, 2019

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

[www.hamsmarketing.ca](http://www.hamsmarketing.ca)

## US Slaughter

492,000 Wednesday

472,000 Year Ago

## Daily Prices

Iowa/S. MN. \$44.00

W. Corn Belt \$44.00

National \$64.13

ML Signature 5 \$128.15

HyLife (prev. day) \$148.45

TCP/BP2 \$128.15

BP4/TCP4 \$150.02

## BoC Rate (Noon) prev. day

\$1.3179 CAD / \$0.7590 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 mostly higher this morning. US

cash markets are once again moving lower with all reporting regions down relative to the previous day. At present, the uncommitted hogs that are subject to negotiated pricing are trending much lower than the National counterpart that uses other aspects (such as quality and health premiums, forward contract values, or other formula-based mechanisms) in its price discovery. In short, packers do not have to aggressively bid amid the abundant supplies. As such, the WCB region, for example, is 18% lower than the three-year average value for this time of year while National is up by approximately 1% (i.e. trending along the average seasonal pattern). Using historical averages, current modelling suggests there could be another 9% move lower in National and 4% lower in the WCB before average lows are potentially realized near the end of November/early December. While China took physical delivery of 10,600 MT in primal cuts and trim for week ending October 31, only a relatively modest 2,800 MT was committed for the current marketing year and 2,000 MT was \*cancelled\* for 2020 delivery. Net sales to all regions came in at 16,600 MT which was down 45% from the previous week. In the absence of stronger export performance, cash markets are likely to remain in their current seasonal trend lower in the short term. Lean hog futures gapped higher at the open this morning and remain on a current tack upward, albeit modestly, as of this writing. While some strength has been witnessed in varying degrees in recent days, the nearby contracts are residing near the lows of the recently established range while the deferreds have struggled to make consistent gains and/or break out of their recent patterns. Firmer export commitments from China particularly would likely spark some life into the futures as would evidence Chinese buyers have returned to the US market consistently; most market watchers do not think China can avoid the USA indefinitely. Unfortunately, the Chinese buying pattern has been more disciplined than first thought and future commitments are as uncertain as ever.

## Canadian delivered soymeal prices opened lower this morning.

The early morning release of the weekly export sales report revealed net sales of 1.8 MMT against a pre-report expectation of between 600,000 to 1.2 MMT. So far, markets have responded positively to the news which could also be a function of some other potential pre-report positioning activity as the WASDE report will also be released later today at 11:00 AM, Central.

## US corn futures opened lower this morning. US corn markets are lower

ahead of the WASDE report that will be released mid-trade later this morning. Weekly export numbers were released ahead of the market's open and showed net sales of 487,900 MT against a pre-report expectation of 300,000 to 650,000 MT. Corn exports represent a relatively modest 15% of total disappearance, but corn exports have struggled this year and are weighing on the trade.

Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		140.63 142.72	141.94 158.17	163.16 165.70	165.86 171.76	178.43 181.40	182.61 195.32	199.52 208.79	203.71 208.82	197.34 205.90
Soymeal Delivered Wpg/S.Man	446	447	451	453	453	461				

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## h@ms Marketing Services will be closed

Monday, November 11 for Remembrance Day. Forward contracting will be suspended and the HMO and Opening Price reports will not be published.

Normal business resumes on Tuesday, November 12.