

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, November 8, 2019

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

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US Slaughter	
491,000	Thursday
471,000	Year Ago
Daily Prices	
Iowa/S. MN.	N/A
W. Corn Belt	\$43.49
National	\$63.89
ML Signature 5	\$127.23
HyLife (prev. day)	\$148.20
TCP/BP2	\$127.23
BP4/TCP4	\$149.43
BoC Rate (Noon) prev. day \$1.3179 CAD / \$0.7590 USD	
Cash Prices Week Ending November 9, 2019	
Signature 3	109.51/49.67
Signature 4	149.89/67.99
Signature 5	129.70/58.83
h@ms Cash	147.89/67.08
HyLife	148.36/67.30
TCP/BP2	137.27/62.27
BP4/TCP4	153.23/69.50
Cumulative Top-Up Estimate \$5.47 CAD/ckg	
ISO Weans \$29.87 US Avg.	
Feeder Pigs \$44.41 US Avg.	

Forward contract prices opened mostly lower this morning. US cash markets are lower to finish the week with WCB and National regions down by \$0.51 and \$0.24 USD/cwt, respectively; the ISM average price under the new system was not reported due to confidentiality. In a refrain that is starting to sound repetitive, cash markets remain in their seasonal trend (lower) which is typical for this time of year. The two reports that could have provided evidence that export markets were improving were both considered disappointing relative to expectations. Monthly FAS data (released on Tuesday) that captures customs codes showed China volumes trending lower since July (albeit higher relative to history) with global volumes following a similar trend suggesting that 'backfill' volume has likewise not developed yet. Thursday's weekly data showed only meagre commitments from China for the current marketing year and cancellations in 2020. Daily slaughter numbers remain high and have been over 490,000 head all this week. Combined with the heavier weights, a lot of pork will be produced, and a stronger demand profile will be needed in order to provide price supports. Simply put, exports have not been enough to clear the market of the 'additional' supplies and are no where near earlier expectations when ASF production losses in China were thought to usher in strong demand from the region. China buying activity has been inconsistent and the current trade spat with the USA appears to be impacting the pork trade as China turns elsewhere for supplies including Canada when it was revealed this week that the pork ban had been lifted. To be sure, there are stories surfacing that Smithfield plants are retooling specifically for the Chinese market and that JBS and Tyson will be processing ractopamine free hogs in the new year which is widely seen as a positioning move for China market access. However, split carcass volume and more volume in general has yet to be revealed. Lean hog futures are trading in a mixed pattern to finish the week and have no incentive to break out of recently established patterns for now – even if the so-called 'phase one' trade deal is completed 'soon', pork, specifically, has not been rumored or mentioned in the news releases covering the developments so far. We still say risk is to the upside, but the timing of that 'event' is presently uncertain.

Canadian delivered soymeal prices opened higher this morning. The December WASDE report will be released mid-trade today – it was not released on Thursday as reported earlier. Analysts' estimates ahead of the report are showing a 46.6 bpa yield could produce 3.510 billion bu. on 75.422 million harvested acres. Using the most recent demand estimates, ending stocks are pegged at 428 million bu against a 306-494 million bu estimated range. Recall that in June, the ending stocks estimates were over 1 billion bu (!).

US corn futures opened lower this morning. Today's WASDE report is expected to show 13.643 billion bu. will be produced from 81.455 harvested acres and a 167.5 bpa average yield. Ending stocks estimates are coming in at 1.817 billion bu on average against a 1.481-1.959 billion range estimate. Despite poor export demand and concerns in the ethanol sector, ending stock are lower than the previous month's estimate with lower production estimates offsetting demand softness.

Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		139.53 171.63	142.15 157.24	160.63 164.80	166.00 172.20	176.80 180.45	181.88 194.78	198.89 208.20	201.85 206.96	194.95 203.51
Soymeal Delivered Wpg/S.Man	456	457	461	462	462	470				

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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.