

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, November 20, 2019

For details call: (204)235-2237 or visit www.hamsmarketing.ca

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|---|--------------|
| US Slaughter | |
| 494,000 | Tuesday |
| 478,000 | Year Ago |
| Daily Prices | |
| Iowa/S. MN. | \$42.16 |
| W. Corn Belt | \$42.17 |
| National | \$64.45 |
| ML Signature 5 | \$126.88 |
| HyLife (prev. day) | \$149.90 |
| TCP/BP2 | \$126.88 |
| BP4/TCP4 | \$151.44 |
| BoC Rate (Noon) prev. day \$1.3237 CAD / \$0.7555 USD | |
| Cash Prices Week Ending November 16, 2019 | |
| Signature 3 | 102.73/46.60 |
| Signature 4 | 149.48/67.80 |
| Signature 5 | 126.10/57.20 |
| h@ms Cash | 147.48/66.90 |
| HyLife | 148.18/67.21 |
| TCP/BP2 | 129.70/58.83 |
| BP4/TCP4 | 149.89/67.99 |
| Cumulative Top-Up Estimate \$5.86 CAD/ckg | |
| ISO Weans \$33.71 US Avg. | |
| Feeder Pigs \$49.56 US Avg. | |

Forward contract prices opened higher this morning. US cash markets have moved in tandem over the past four session but have been see-sawing back and forth over the same timeframe; up one day and down the next. Today, the reporting regions are seeing some support, coming in \$0.26 higher in the WCB and ISM regions and \$1.07 in the National. Seasonal strength typically materializes at this time of year (near the US Thanksgiving holiday which will be observed next week), and all market watchers will be looking for signs of that support. But that support has not yet materialized as a trend and in fact, hog prices are under pressure, in part, as a function of massive available supplies and a demand profile that, while picking up momentum, is still not matching earlier expectations. As well, a report published yesterday is suggesting a tight labor market for processors (which is an ongoing problem) means packers cannot run their operations at full steam. The result is competition for shackle space which is also weighing on hog pricing. All this is occurring at the same time that some primal cuts are seeing some strength (especially hams, up by almost double relative to last year) due to improving demand and pushing up the net value of the cut-out 30% higher over last year, placing packers firmly in a profitable position. Lean hog futures, meanwhile, have seen six consecutive sessions of day over day losses that began last Wednesday. The market is attempting to reconcile the massive amounts of pork expected with the uncertainty of demand especially as related to the Southeast Asian and Chinese ASF production loss. While there are commentators pointing out that China purchase activity has been higher than normal and net exports are performing well relative to history (all true), pork has not disappeared fast enough in any channel to usher in price support at this time. The market is simply going to have to wait for more substantial data to be presented and/or for some major breakthrough in China/USA trade relations. The later point appears less likely in recent days as President Trump is once again threatening to raise tariffs higher if the so-called Phase One deal is not completed.

Canadian delivered soymeal prices opened higher this morning. All eyes will be on tomorrow's, weekly export sales report that the USDA releases before trading opens. Bean pace is currently well-off the pace seen before 2018 i.e. before Chinese buyers turned to other markets as the US/China trade war heated up. In fact, the current pace is more approximately mirroring that witnessed in 2018 which is not a good sign for market participants looking for more demand from China. And as President Trump has publicly threatened more tariffs once again, it is entirely possible Brazil will also be favoured over the USA for the majority of supply...once again.

US corn futures opened lower this morning. Like bean traders, US corn futures traders will be looking to tomorrow's export sales report for clues on direction. While the corn trade relies less heavily on export than beans do, for example, it still makes up about 15% of the demand profile so big demand from that channel, or significant softness, does impact markets.

| Forward Range (at opening) | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
|-----------------------------|-----|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | n/a | 132.63 | 128.33 141.76 | 146.91 151.83 | 148.52 158.87 | 165.05 168.72 | 169.87 182.80 | 186.92 193.26 | 190.23 194.06 | 178.11 193.30 |
| Soymeal Delivered Wpg/S.Man | 471 | 471 | 472 | 475 | 478 | 479 | | | | |

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Contact Ron at 204-572-5282

Wednesday, December 11
Keystone Centre
10AM - 4 PM
Lunch (\$12) 12PM-1PM