

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 2 2019

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

2.343 mil. Last Week
2.530 mil. Year Ago

Daily Prices

Iowa/S. MN. \$42.55
W. Corn Belt \$42.52
National \$62.03

ML Signature 5 \$124.95
HyLife (prev. day) \$145.04
TCP/BP2 \$124.95
BP4/TCP4 \$146.32

BoC Rate (Noon) prev. day
\$1.3289 CAD / \$0.7530 USD

Cash Prices Week Ending

November 30, 2019

Signature 3 102.49/46.49
Signature 4 147.98/67.12
Signature 5 125.24/56.81
h@ms Cash 145.98/66.22
HyLife 146.36/66.39
TCP/BP2 126.57/57.41
BP4/TCP4 150.56/68.29

Cumulative Top-Up Estimate

\$6.59 CAD/ckg

ISO Weans \$33.86 US Avg.

Feeder Pigs \$48.61 US Avg.

Forward contract prices opened lower this morning. US cash markets are starting the week off on a steady-to-lower note with ISM and WCB regions down by about 5 cents (USD/cwt) while the National region was unchanged due to the way reporting developed over the holiday-shortened week. The market has seen many weeks of pressure and despite ASF production loss in southeast Asia and record price spreads between China and the USA, for example, the demand profile from the region (albeit higher than the historical record) has not met expectations. Reference prices for week ending November 30 are lower than the previous week in a trend that developed since the end of October; The National reference price is lower by \$1.26 and the WCB reference is down by \$0.81 USD/cwt. The good news is that the intensity of the down-trend has moderated in recent weeks and a cash bottom could be developing. However, it would take a notable increase in the export channel to move cash markets significantly before the spring rally in the new year. Massive pork production remains a feature of the market even though slaughter was down relative to last year for the same week but only due to the late US Thanksgiving holiday this year. Lean hog futures are also lower to start the week with no significant news event developing over the week-end, but there is a growing chorus among analysts suggesting that the so-called Phase One trade deal will not be signed before the end of the year. To be sure, there are still those that think a deal could be signed which would likely provide markets with a boost, but that optimism is waning. As of this writing, there is still a premium built into the futures (9.38% on average) for all monitored contracts heading out to December 2020, but the premium is much lower than the optimism seen last April (lower by 12.9% on average, all contracts combined) during the ASF speculative high.

Canadian delivered soymeal prices opened mixed this morning.

While no major trade deal news developed over the weekend, the articles that did surface were highlighting the Chinese stance that the removal of existing tariffs, not planned ones, is a condition ahead of any Phase One trade deal. As well, President Trump tweeted early this morning that he would apply steel and aluminum tariffs on Brazil and Argentina (citing currency devaluation as the issue) while China procures lower cost ag commodities from the two countries amid the US/China trade war.

US corn futures opened higher this morning. US corn futures are trading higher, but modestly recovering from the recently reached, lower end of the range that was established mid-September. Harvest remains a challenge, but the support this morning appears to be coming from the 'macros' (i.e. higher equities, lower USD, for example), and technical moves rather than any real bullish news per se. The Crop Progress report will be released later today which has been extended due to the late harvest this year.

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		124.39 137.57	142.73 147.64	145.00 155.84	162.24 165.07	167.42 180.47	184.71 191.18	188.64 192.11	155.86 191.95	145.37 150.04
Soymeal Delivered Wpg/S.Man	455	455	457	461	464	467				

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