

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 4, 2019

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

495,000 Tuesday
 480,000 Year Ago

Daily Prices

Iowa/S. MN. \$45.01
 W. Corn Belt \$45.00
 National \$62.84
 ML Signature 5 \$129.04
 HyLife (prev. day) \$147.06
 TCP/BP2 \$129.04
 BP4/TCP4 \$148.37

BoC Rate (Noon) prev. day
 \$1.3302 CAD / \$0.7518 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 higher this morning. US cash markets are all higher than the previous day by \$1.28, \$1.48, and \$1.59 for ISM, WCB, and National regions, respectively. There has been some anecdotal evidence (and a fair amount of rumors) that export activity is indeed picking up, and proponents are pointing to the historically high packer margin as evidence there is strong demand on the processors. Recall that hard evidence pointing at all export activity is lagged by two months and the weekly export report does not capture all export activity. However, the day-to-day pricing activity has been anything but consistent and while cut-out values have seen support in recent weeks, the most recent daily reports are painting a different picture. Over the past two days, bellies and hams have come under some pressure and the net value of the cut-out has been lower in consecutive days. While daily cash prices have improved heading into December in the past, this year is seeing massive kill days subsequently producing more pork from heavier pigs; yesterday's estimated slaughter came in at a massive 495,000 head. Lean hog futures opened initially higher this morning but have moderated as of this writing. Despite currently large slaughter days, there is an expectation that the weekly kill volumes will moderate in December as it typically does. As well, there is ongoing optimism that China will *need* to buy US pork in larger quantities as the country attempts to manage price and supply. While it is true there is a very large production hole due to ASF, Chinese buyers have been much more disciplined in their purchasing regimen suggesting they are actively managing domestic need a bit more aggressively than at first thought.

Canadian delivered soymeal prices opened mixed this morning.

While US soybean futures are recovering from recent lows, good weather in South America and ideas that the trade war between China and USA could heat up once again are keeping the upside in check. There are still an estimated 3 MMT + of potential bean production left to harvest but the recent demand concerns are outweighing any production ones. President Trump has once again threatened to follow through with the December 15 tariffs if Phase One is not signed and has even more recently suggested the deal could be put off until after the 2020 election next November.

US corn futures opened lower this morning. Despite extremely challenging harvest weather potentially limiting final production numbers US corn futures are seeing some pressure. Managed money remains 133,000 contracts net short with only one other year (2017) holding a larger short position. It suggests the money managers are bearish on US corn futures at present, but that could change heading into January as has been witnessed in the past.

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		127.80 140.93	146.06 150.95	148.33 159.11	165.38 168.20	170.65 183.64	187.86 194.30	192.87 196.34	160.26 196.51	149.76 154.44
Soymeal Delivered Wpg/S.Man	478	478	460	463	466	467				

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