

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 9, 2019

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

2.799 mil Last Week  
2.568 mil. Year Ago

## Daily Prices

Iowa/S. MN. \$45.74  
W. Corn Belt \$45.76  
National \$62.48

ML Signature 5 \$129.10  
HyLife (prev. day) \$144.88  
TCP/BP2 \$129.10  
BP4/TCP4 \$147.01

**BoC Rate (Noon) prev. day**  
\$1.3255 CAD / \$0.7544 USD

## Cash Prices Week Ending

December 6, 2019

Signature 3 108.71/49.31  
Signature 4 146.36/66.39  
Signature 5 127.54/57.85  
h@ms Cash 144.36/65.48  
HyLife 145.26/65.89  
TCP/BP2 125.24/56.81  
BP4/TCP4 147.98/67.12

## Cumulative Top-Up Estimate

\$6.83 CAD/ckg

ISO Weans \$35.01 US Avg.

Feeder Pigs \$48.33 US Avg.

**Forward contract prices opened lower this morning.** US cash markets are mixed to start the week with ISM and WCB reversing the trend seen last week and turning lower by about \$0.60 while the National region is up by a dime (USD/cwt.). Despite speculation on global pork losses associated with ASF production holes, ongoing uncertainty on the USA/China trade, an 'elevated' pork cut-out, and exceptional packer profitability, cash markets are unremarkable. The National region has leveled out in recent weeks and assuming no major announcements on trade, production, or disease progress, the region's reference price will likely be maintained near current levels heading into the new year. The WCB region has reversed from the lows seen in marketing week 47 (week ending November 23), but the support has likewise been unremarkable, lifting only 8.4% from the November low and trading in the mid \$40 USD/cwt range recently. If the WCB remains on the current trajectory, it could witness the second \*lowest\* weekly cash settle by the end of the year since 2015. Including this week, there are only three marketing weeks in 2019. The likely reason for the pressure is that supplies are ample meaning packers do not have to aggressively compete for the available supply and reported labour shortages are potentially preventing packers from running at full capacity meaning there could be competition for shackle space. Regardless, last week's kill was estimated at 2.799 million hogs, or 9% higher than year ago(!) and a lot of pork is still making it to market. Lean hog futures have started the week off on a lower note with all futures contracts lower as of this writing. Last week's export report did little to provide support, despite being historically good, Chinese purchasers cancelled some 2020 pork commitments. The market is so far shaking off the news suggesting China could once again issue import waivers for US pork. Traders will likely have to see more concrete evidence (or a \*firm\* trade announcement, not from White House advisors, or Twitter) before meaningful support can return to the trade.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are higher to start the week, but they have a long way to go to climb out of the recent lows. In fact, nearby US soybean futures have been trading under the \$9.00 USD/bu mark for the past 10 sessions and are only at \$8.97 USD/bu. as of this writing. While news was making the rounds last week that tariff waivers may be entertained by China once again, the contrarians point out a poor export pace so far and question China's ability to accept more US beans in meaningful quantities anyway.

**US corn futures opened higher this morning.** Like soybeans, US corn futures remain at the low end of the range and are struggling to get past, even, \$3.70 USD/bu. While December corn futures briefly passed the \$4.00 US/mark on October 14, it settled under \$4.00 on the day – US corn futures haven't been consistently above that benchmark price since the mid-May to August timeframe. Production concerns associated with this year's harvest and planting have so far not been enough to shake off the bearish tone.

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		126.63 137.25	142.38 147.27	144.48 155.27	161.82 164.64	167.19 180.21	184.44 190.89	188.70 192.17	157.04 192.00	146.57 151.23
Soymeal Delivered Wpg/S.Man	453	457	459	459	463	463				

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