

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 11, 2019

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

US Slaughter	
495,000	Tuesday
475,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$47.85
W. Corn Belt	\$47.74
National	63.05
ML Signature 5	\$131.95
HyLife (prev. day)	\$146.87
TCP/BP2	\$131.95
BP4/TCP4	\$148.10
BoC Rate (Noon) prev. day \$1.3233 CAD / \$.7560 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 trending higher at the mid-week point with all reporting regions coming in higher than the previous day. Some strength has been witnessed in the value of the cut-out recently which has been providing some underlying support. The current net value of the carcass is at the second highest level for this marketing week going back to 2013 (only 2013 and 2014 were higher by 7% and 10%, respectively). While hams have led the strength, they are not the highest value of the cuts, but they do represent about 25% of the value of the carcass so when hams make a move higher, the results are typically observed in the net value; daily ham values are at their highest level for this marketing week compared to the weekly benchmarks going back to 2013. Bellies, on the other hand have come under some pressure recently and are coming in near the lowest of their recorded value over the same timeframe. Regardless of a strengthening cut out or packer profitability, the market still must draw down massive amounts of pork being produced; there are some unofficial estimates suggesting pork production last week could have eclipsed 600 million lbs., the highest ever on record and up 10% from year ago on hogs that have been estimated to be 216.5 lbs on average (i.e. the highest weight for this week on record). Lean hog futures showed some initial signs of strength following the news that was tracking progress on the new NAFTA agreement. By the end of the session, announcements had been made that the final text of the agreement (known as USMCA in the USA and CUSMA in Canada). However, it is widely thought that the Market has already priced in the current expectations and very little *additional* support due to the signing or future purchase activity is expected. And while the new deal is expected to be ratified in Mexico and Canada with relatively little political theatrics, the Majority Senate leader in the USA has suggested it will not be on the Senate's legislative agenda until the new year.

Canadian delivered soymeal prices opened lower this morning. Production estimates remained unchanged relative to the November numbers in yesterday's WASDE report that, according to a USDA employee answering questions on social media after-the-fact, highlighted that no changes in production between the November and December reports are typical. As such, ending stocks adjustments are usually a function of changing demand and usage dynamics. On that note: 2019/20 ending stocks came in near pre-report expectations at 475 million against the 476 million estimate and was therefore considered 'neutral'.

US corn futures opened lower this morning. Like beans, not changes in production were revealed in yesterday's WASDE report which is typical for this time of year according to USDA staff. Also like beans, US corn ending stocks estimates were mostly in line with pre-report expectations and considered to have a neutral influence on the market. 1.910 billion bu are estimated for ending stocks in the 2019/20 crop year against the 1.919 billion bu. average trade estimate ahead of the release.

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		127.00 137.61	142.73 147.62	145.48 156.28	162.78 165.57	168.07 181.07	185.32 191.76	188.95 192.41	155.35 192.33	144.92 149.57
Soymeal Delivered Wpg/S.Man	447	449	452	452	458	458				

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