

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, December 13, 2019

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

495,000 Thursday
 478,000 Year Ago

Daily Prices

Iowa/S. MN. \$46.97
 W. Corn Belt \$47.23
 National 63.36

ML Signature 5 \$131.19
 HyLife (prev. day) \$147.22
 TCP/BP2 \$131.19
 BP4/TCP4 \$148.26

BoC Rate (Noon) prev. day
 \$1.3201 CAD / \$0.7575 USD

Cash Prices Week Ending

December 6, 2019

Signature 3 113.93/51.68
 Signature 4 147.32/66.82
 Signature 5 130.62/59.25
 h@ms Cash 145.32/65.92
 HyLife N/A
 TCP/BP2 127.54/57.85
 BP4/TCP4 146.36/66.39

Cumulative Top-Up Estimate

\$7.03 CAD/ckg

ISO Weans \$35.01 US Avg.

Feeder Pigs \$48.33 US Avg.

Forward contract prices opened higher this morning. US cash markets are mixed to finish the week with ISM and WCB regions down by \$0.75 and \$0.47, respectively, while the National region is finishing slightly higher by \$0.27 USD/cwt relative to the previous day. Regardless of moves, cash markets have remained entirely within their historical patterns in recent years; the National region is 'leveling out' headed into the new year while the WCB region is more reflecting the trend seen in 2016 and lifting off the lows seen at the end of November. Massive pork production is weighing on the trade, despite good packer profitability and a recent resurgence in the pork cut-out that now sees the net value of the carcass coming in at the second highest level for this marketing week going back to 2013. But more upside could be possible if the Phase One trade deal materializes as recently announced. While the 'Chinese side' has yet to confirm the announcement as of this writing, news was making the rounds after trading hours yesterday that President Trump has agreed to 'sign off' on an agreement in principle of the recent results of negotiations. Agreements on agriculture purchases, intellectual property, technology transfer, finance access, and currency were among the issues reportedly 'resolved' under the agreement according to some reputable publications including the Wall Street Journal. However, it has also been reported that the Chinese negotiators have not yet 'signed off', that they request the text of the agreement is not made public, and that President Xi will not attend a high-profile signing. Lean hog futures gapped higher at the opening on the latest optimism, but once again have backed off after pushing higher in the early morning trade. The market will likely be looking for more concrete news especially on China's acceptance of the agreement in principle which would provide underlying support. Markets are called volatile and mixed in the meantime as traders reposition themselves on the most recent news.

Canadian delivered soymeal prices opened mixed this morning.

US soybean futures are initially supported this morning following the news yesterday that an agreement in principle on the so-called Phase One China/USA trade deal would be 'signed off' by President Trump. However, there is ongoing concern about China's ability to commit to bean purchases (as a component of 'agriculture' purchases) if they can't take on the product. Brazil has been a heavy supplier and ASF has limited feed demand in the hog sector. While beans are higher this morning, demand concerns and uncertainty on China's commitment to the agreement are keeping the upside in check.

US corn futures opened higher this morning.

US corn futures are higher to finish the week on strength in other commodities and some support from yesterday's export sales report which showed sales were 28% higher than the four-week average pace. US corn has struggled since August and while the ethanol issues have not been resolved (ethanol utilizing about one third of the US corn crop annually), news on the new NAFTA agreement next week and some positivity on trade generally, albeit unconfirmed, is providing underlying support.

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		130.04 140.62	145.73 150.60	148.11 158.87	165.18 167.96	170.52 183.47	187.69 194.11	191.16 194.61	156.10 194.54	145.72 150.36
Soymeal Delivered Wpg/S.Man	444	448	452	452	457	457				

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