

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, December 19, 2019

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

<b>US Slaughter</b>	
494,000	Wednesday
484,000	Year Ago
<b>Daily Prices</b>	
Iowa/S. MN.	\$47.71
W. Corn Belt	\$47.38
National	\$64.26
ML Signature 5	\$131.79
HyLife (prev. day)	\$148.84
TCP/BP2	\$131.79
BP4/TCP4	\$149.64
<b>BoC Rate (Noon) prev. day</b> \$1.3119 CAD / \$0.7623 USD	
<b>Cash Prices Week Ending</b> <b>December 14, 2019</b>	
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	146.61/66.50
TCP/BP2	127.54/57.85
BP4/TCP4	146.36/66.39
<b>Cumulative Top-Up Estimate</b> \$7.03 CAD/ckg	
ISO Weans \$39.04 US Avg.	
Feeder Pigs \$52.89 US Avg.	

**Forward contract prices opened mixed this morning.** US cash markets turned moderately lower with WCB down by \$0.38 while the National region is lower by one penny (USD/cwt); the reference price for the ISM region was not reported due to confidentiality. Cash markets are called steady heading into the end of the year and remain near historical ranges observing the trends although the National region is at the upper end of the post-2014 range while the WCB is coming in at the lower end. Slaughter levels remain historically high and have been frequently estimated over 490,000 per day, subsequently producing a lot of pork. There are rumors that China is importing more meat using the import tariff waivers that were announced, but because there is so much pork being produced, and Chinese buying has been steady (but not stellar), there has not been much of a drawdown in supplies. Despite historical profitability, packers do not need to use that margin to aggressively bid due to two principle reasons: 1) abundant supplies, and 2) talk that labour challenges are forcing producers to compete for shackle space despite the increased capacity of new plants. The expected signing of the Phase One trade deal with China in January could usher in support, but for now, the export demand, while higher than historical levels, remains well below expectations as well as below the levels needed to clear the market of available supplies. Lean hog futures are choppy this morning on a weekly export sales report that once again revealed China has not entered the US market in force. On the one hand, weekly export activity is up 3%, led by China at 15,300 MT, and accumulated exports and year to date commitments for the next marketing year are higher than historical observations. However, this morning's volumes and commitments are almost complete in line with the recently observed levels and China only committed to another 5,900 MT (which is somewhat unsurprising considering the trade deal is not yet done) while \*cancelling\* another 4,200 MT for the next marketing year for the second week in a row. The market will need much more volume than that (and no cancellations) if exports are going to provide support to the futures.

**Canadian delivered soymeal prices opened mixed this morning.** This morning's export sales report showed net sales at 1.430 MMT which was up 36% from last week and 18% from the rolling four-week average. The level is in line with recent history but if the historical trend remains intact, the next two weeks will trend lower into the new year. China took the lion's share of the total 1.405 MMT physical exports coming in at ~827,000 MT, but the net physical export pace to all countries, while higher than year ago, is well off the paces seen in 2016 and 2017 from September to present.

**US corn futures opened lower this morning.** US corn net export sales saw a marketing year high coming in at 1.709 MMT most of which headed to the USA's number one customer for US corn, Mexico. Physical exports saw another high for the year of 720,000 MT which was up 36% compared to previous week and again, with the number one destination to its southern neighbour (295,700 MT).

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		140.90 142.56	147.64 152.49	151.50 162.21	168.64 171.41	173.30 186.20	190.41 196.80	192.90 196.33	156.73 195.15	146.39 151.01
Soymeal Delivered Wpg/S.Man	443	453	457	457	462	462				

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Headingley Main Office	h@ms Holiday Schedule 2019/2020	Risk Management (all times Central)
OPEN	Tuesday, December 24	Closed one hour early (11:30)
Closed	Wednesday, December 25	Closed
Closed	Thursday, December 26	Closed
OPEN	Tuesday December 31	Open Regular hours (9:30-12:30)
Closed	Wednesday, January 1	Closed