

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, December 20, 2019

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

US Slaughter	
493,000	Thursday
477,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$47.16
W. Corn Belt	\$47.22
National	\$63.73
ML Signature 5	\$131.01
HyLife (prev. day)	\$147.16
TCP/BP2	\$131.01
BP4/TCP4	\$148.45
BoC Rate (Noon) prev. day \$1.3122 CAD / \$0.7621 USD	
Cash Prices Week Ending December 21, 2019	
Signature 3	114.53/51.95
Signature 4	148.88/67.53
Signature 5	131.70/59.74
h@ms Cash	146.88/66.62
HyLife	N/A
TCP/BP2	130.62/59.25
BP4/TCP4	147.32/66.82
Cumulative Top-Up Estimate \$7.03 CAD/ckg	
ISO Weans \$39.04 US Avg.	
Feeder Pigs \$52.89 US Avg.	

Forward contract prices opened higher this morning. US cash markets are lower to close the week with ISM, WCB, and National regions down by \$0.61, \$0.16, and \$0.53 USD/cwt, respectively. Weekly cash values are higher than the previous week when they were calculated yesterday afternoon for week ending Dec 21, but today's move suggests that cash markets will likely not see any significant support until full production schedules ramp up after the holiday-shortened processing weeks. Packers will not have to aggressively compete for supplies in the interim as the weekly kill is curtailed by at least a day over the next two weeks, and also while supplies are ample. Yesterday's export sales report implied that while volumes are historically good, no one importer had made *consistently* significant demands for US pork...yet. There are ideas that Chinese buyers are using tariff waivers to bring in US pork as a stop-gap between now and the signing of the so-called Phase One trade agreement with China, presumably in January and coming into force 30 days later, but yesterday's volumes, again, while historically good and 'ahead' of schedule in the next marketing year relative to other years, still have not drawn down supplies enough to usher in a price support. If Chinese buyers (or other export partners) do not enter the US market more prominently and consistently, seasonality could factor more in a spring cash rally than developments on the export front. However, if exports improve at or near the same time as the spring run-up in 2020, cash prices could see that seasonal strength intensified. Lean hog futures continue to exhibit signs of a lacklustre trade, in part, due to no real exceptional news and ideas that traders will sit on the sidelines heading into the holiday season. Despite the recent strength, lean hog futures have only retraced to about half of the initial drop that developed near November 13 and have a long way to go to get back to levels seen in late October, never mind July or the April highs. The trade is very much in a wait-and-see holding pattern although breaking news could inject fresh volatility into the markets.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures remain supported on weekly export sales as well as some managed money short covering. South American weather is reportedly improving despite some dryness in Argentina that is not considered to inflict widespread damage for now. But most commentaries are focussing on the USA/China trade deal where \$40-\$50 billion in agriculture purchases is the benchmark. Chinese negotiators have been reluctant to sign off on a specific number, preferring instead to let domestic market conditions influence demand. However, there is talk and some analysis this morning suggesting China could 'get there' by buying, among other things, up to 45 MMT of beans.

US corn futures opened higher this morning. The weekly export sales report remains supportive to the US corn futures trade that has climbed higher in recent session but is still 11 cents USD/bu. away from the \$4.00 per bushel benchmark. There is talk ethanol could be purchased by China as part of the Phase One trade deal that some have cited could be as high as 6 billion gallons (about 2.4 billion bu of corn) which would be supportive further out if it materializes.

Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		142.14 143.80	148.91 153.78	152.52 163.28	169.67 172.45	173.87 186.81	191.04 197.45	193.58 197.02	157.73 196.02	147.36 151.99
Soymeal Delivered Wpg/S.Man	443	452	455	455	460	460				

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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