

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 3, 2020

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

US Slaughter	
494,000	Thursday
474,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.40
W. Corn Belt	\$49.91
National	\$61.48
ML Signature 5	\$130.31
HyLife (prev. day)	\$140.53
TCP/BP2	\$130.31
BP4/TCP4	\$141.77
BoC Rate (Noon) prev. day \$1.2992 CAD / \$0.7700 USD	
Cash Prices Week Ending January 4, 2019	
Signature 3	119.40/54.16
Signature 4	142.91/64.82
Signature 5	131.16/59.49
h@ms Cash	140.91/63.92
HyLife	N/A
TCP/BP2	131.55/59.67
BP4/TCP4	147.29/66.81
Cumulative Top-Up Estimate \$7.39 CAD/ckg	
ISO Weans \$55.86 US Avg.	
Feeder Pigs \$58.72 US Avg.	

Forward contract prices opened lower this morning. US cash markets are lower to finish the first marketing week of 2020 with ISM, WCB, and National regions down by \$0.52, \$0.95, and \$0.35 USD/cwt, respectively. A seasonal tightening of supplies is expected to provide the cash market with underlying support in the coming weeks and months. For the time being, current values are within historical observations with WCB coming in 6% lower than the three-year average while the National region is 2% higher than the three-week average for the identical marketing week. Lean hog futures are sharply lower at the open this morning as news surfaced late yesterday that the US successfully carried out a military operation that ultimately killed an Iranian General and leader of the elite Quds Force, Islamic Revolutionary Guard. While this event has arguably almost nothing to do with the US/China trade deal, ASF, or pork demand due to ASF, the market's reaction highlights the interconnectedness of global investing. Simply put, investors are fleeing commodities and instead looking for safe havens such as gold and, of course considering the focus of the tensions, oil. As of this writing, nearby lean hog futures have reached (at one point or another) the daily limit low subsequently closing forward contracting for the remainder of the day. While the initial market reaction is believed to be a temporary one (and a situation that will recover when export demand improves, and investors reposition themselves) pressure could be maintained if the threat of a 'hot war' starts to develop. In any event, today's activity underscores the unpredictability and volatility that has been a feature of the lean hog futures trade over the past year.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are lower by double digits at the open as news of the American military operation in Iran mentioned above made the rounds in the overnight session. Commodity and stock markets are sharply lower on the news and it could take some time for investors to look at certain commodities, especially if the recent news develops into a shooting war or some other larger military engagement.

US corn futures opened lower this morning. Like almost every other commodity this morning (except oil which has seen a 3.4% rally since the news broke last evening), US corn futures are lower on the news that tensions are flaring between the USA and Iran, as well as the as-yet unknown Iranian reaction. Weather, South American crop progress, and even the ethanol debates closer to home will likely take a back seat until some more certainty surfaces on the USA/Iran front.

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #5		142.39 147.19	145.37 155.98	162.40 165.15	166.86 179.63	183.80 190.13	187.01 190.41	154.13 189.59	143.89 148.46
Soymeal Delivered Wpg/S.Man	456	462	465	468	468	474			

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