

# Hog Margin Outlook

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Tuesday, January 7, 2020

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US Slaughter	
497,000	Monday
477,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.65
W. Corn Belt	\$50.41
National	\$62.37
ML Signature 5	\$131.71
HyLife (prev. day)	\$142.56
TCP/BP2	\$131.71
BP4/TCP4	\$143.58
<b>BoC Rate (Noon) prev. day</b> \$1.2970 CAD / \$0.7710 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	142.09/64.45
TCP/BP2	131.55/59.67
BP4/TCP4	147.29/66.81
Cumulative Top-Up Estimate	
\$7.39 CAD/ckg	
ISO Weans	\$61.32 US Avg.
Feeder Pigs	\$61.28 US Avg.

**Forward contract prices opened mixed this morning.** US cash markets are mixed once again and maintaining values seen at the end of the year. The ISM and WCB regions are residing just above the \$50 mark while the National regions is residing in the low \$60s US/cwt. Comparatively, all regions are at the lower end of their observable post-2014 histories with WCB 3% lower and National about 12% lower than the five year average. In all years except last year, a general price trend has been observed; some support heading into February, followed by a backing off near mid-April before once again heading higher from May into the summer timeframe. Last year the peaks and troughs developed earlier than average. What does the market have in store this year? Will it look more like the trends or perhaps more like last year? Considering the possibility that the so-called Phase One trade deal could come into force in mid-Feb, and assuming Chinese buyers enter the market shortly after the deal is official, cash markets could rally near the typical spring run-up. However, if demand from China is more lacklustre or tempered, the market could see exacerbated seasonal lows as the market probes for a market clearing price amid massive supply. Lean hog futures are choppy and two-sided to start the session. The front month contracts into the summer timeframe are higher but have backed off from the early morning trajectory. August and October contracts are lower. All told, there is still an 11.95% premium over the three-year average cash settlement price even though the Feb 2020 contract is 4% lower. Regardless, the market is very much in a wait and see pattern and most analyst, including those at h@ms Marketing, are of the view that risk is to the upside Depending on the individual's risk management strategy, producers may simply have to wait for the next round of support which could come at any time, and vary in intensity, but likely not until at least mid-February.

**Canadian delivered soymeal prices opened lower this morning.** News making the rounds yesterday suggested China will not raise grain import quotas in the Phase One trade deal; quotas shall remain in place for all countries. This has taken a bit of life out of the futures markets which are lower as of this witting. There is still a fair amount of optimism (hope?) that China will resume pre-trade war volumes once the Phase One deal is signed, but the details of the deal have so far not been revealed. A guarantee on either tonnage or value appears to be unlikely.

**US corn futures opened higher this morning.** US corn futures are lower and seemingly relegated to trading within a \$3.82 to \$3.92 USD/bu. range that was established in the middle of December (nearby currently trading at \$3.85). There has not been much new to move the market in one direction or another but the January 10 WASDE report released this Friday could provide the market with some fresh news for direction.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5	145.09 148.54	145.79 156.44	162.77 165.40	167.16 180.54	184.72 191.46	188.84 192.13	159.87 191.35	152.05 156.39	156.07 159.94
Soymeal Delivered Wpg/S.Man	452	457	460	463	463	469			

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