

Hog Margin Outlook

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Wednesday, January 8, 2020

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

US Slaughter	
497,000	Tuesday
473,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.68
W. Corn Belt	\$50.48
National	\$62.69
ML Signature 5	\$132.80
HyLife (prev. day)	\$143.10
TCP/BP2	\$132.80
BP4/TCP4	\$144.75
BoC Rate (Noon) prev. day \$1.3009 CAD / \$0.7690 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 higher this morning. US cash markets are higher with ISM, WCB, and National regions up by \$0.03, \$0.27, and \$0.32 USD/cwt, respectively. Prices have not yet made their significant seasonal move higher as the fundamental news has not changed all that much. However, yesterday's export sales report released by the USDA's Foreign Agriculture Service (FAS) using customs coded data (lagged by two months) showed November exports to be exceptional. Total exports to all global partners came in at 259,813 MT, or 29.1% higher than the five-year average for the month of November. If December data comes in near the 250 kMT mark (data to be released in early February), 2019 will result in the largest year for pork exports on record. The November numbers were supported by strength into China which saw a 324% increase (!) over the November five year average and is 29.7% higher than the largest volume seen so far this year (in July). While this is very good news, the volumes pegged for export still have not been enough to offset the massive amounts of pork being produced and usher in price support. The data yesterday revealed earlier suspicions that China is in fact buying US pork in larger quantities now. But demand from the region will likely need to be sustained at, at least, these levels if a drawdown in supply, and subsequently more aggressive bidding by packers, is to materialize. Lean hog futures are mixed and could be considered 'directionless' as the market awaits more news. Futures are trading higher as a trend since the beginning of December, but they really have not yet made that break higher everyone appears to be waiting for. To be clear, bias is to the upside (as is risk), but the market is simply going to have to wait and see if China continues and indeed improves upon the export pace revealed yesterday in the coming weeks and months.

Canadian delivered soymeal prices opened higher this morning. On Friday, the January WASDE report will be revealed and analysts' estimates ahead of the mid-trade release are fairly tight. The range of estimates for the 2019/2020 crop are for production to come in between 3.463 and 3.560 billion bu. An average 3.512 billion bu. could be produced on 75.462 million harvested acres and a 46.6 bpa yield. Ending stocks are estimated at 424 million bu.

US corn futures opened lower this morning. Analysts' estimates ahead of Friday's WASDE report show, on average, production could come in at 13.513 million bu. (13.217 to 13.701 billion bu. range). Harvested acreage is expected to come in at 81.350 million acres on average while yield is earmarked at 166.2 bpa. Using current demand expectations, ending stocks are estimated to come in at 1.757 billion bu.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5	146.69 149.75	147.40 158.04	164.44 167.07	167.82 181.20	185.38 192.12	189.70 192.99	160.51 192.29	152.69 157.04	158.87 160.74
Soymeal Delivered Wpg/S.Man	453	458	461	465	464	471			

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