

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 9, 2020

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

US Slaughter	
498,000	Wednesday
472,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$51.08
W. Corn Belt	\$51.02
National	\$62.90
ML Signature 5	\$133.63
HyLife (prev. day)	\$144.02
TCP/BP2	\$133.63
BP4/TCP4	\$145.44
BoC Rate (Noon) prev. day \$1.3026 CAD / \$0.7600 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 higher with ISM, WCB, and National reporting regions up \$0.40, \$0.34, and \$0.21 USD/cwt, respectively. In a normal marketing year, cash markets are observed to strengthen from the beginning of the year to about marketing week six or seven (middle of February), followed by a cooling off period into late March, and finally showing consistent strength in a 'spring rally' that carries into the middle of the summer. Last year (2019), the peaks and troughs developed earlier, but they still developed, and this pattern has maintained itself in a post-2014 marketing environment. The extent to which this pattern is maintained this year very much remains to be seen. While cash values are hovering at the lower end of the historical values, export activity has been exceptional as highlighted on the November numbers that were released this week. December will likely show a similar pattern (i.e. higher and potentially record breaking). With such strong exports, why the disconnect in the cash market? Simply put, excellent export activity has not been enough to offset the amount of pork currently being produced. Moreover, there are plenty of hogs available and there is a labor shortage preventing 'additional' schedules. In sum, packers do not have to aggressively bid for supplies and cash prices for live hogs will likely reflect this dynamic until such time the demand profile starts to squeeze domestic supply. Seasonality will likely play a role as it typically does as well, but the big unknown this year is whether the anticipated 'extra' export demand will provide a boost, and, when that development will take place. Lean hog futures are lower to start the session and relatively lacklustre in the absence of fresh news. Futures values are currently about 12% higher than the observable cash history settles and are reflecting some demand optimism further out, but most are of the view further gains will be realized once the Phase One deal comes into force and, presumably, when exports improve even more.

Canadian delivered soymeal prices opened lower this morning. Normally, Thursday mornings provide the market with fresh export news in a report that is released before the market opens. Traders will have to wait for tomorrow for that information, as a weather event in the Washington, DC area forced an early closure of government offices on Tuesday. As such, the report is delayed, and will be released on Friday, January 10 (tomorrow). US soybean futures are lower as of this writing, but not exhibiting any signs of a fundamental shift in the recent trend.

US corn futures opened lower this morning. US corn futures are lower this morning, and also not showing any signs of a fundamental shift in the recent trading patterns. Tone is generally negative; ethanol production is down week over week and only modestly higher than last year (+1.7%). Brazil's CONAB increased crop production estimates over last month's numbers. There have been some reports of improving weather in South America. The market will have to wait for fresh export news until tomorrow morning.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5	145.69 147.11	146.40 157.10	163.59 166.23	167.82 181.28	185.48 192.26	189.71 193.01	160.32 192.66	152.48 156.84	157.04 160.93
Soymeal Delivered Wpg/S.Man	451	458	461	464	464	471			

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