

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 14, 2020

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

US Slaughter	
498,000	Monday
461,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.81
W. Corn Belt	\$50.67
National	\$61.90
ML Signature 5	\$132.28
HyLife (prev. day)	\$142.19
TCP/BP2	\$132.28
BP4/TCP4	\$143.37
BoC Rate (Noon) prev. day \$1.3048 CAD / \$0.7700 USD	
Cash Prices Week Ending January 11, 2019	
Signature 3	121.28/55.01
Signature 4	144.87/65.71
Signature 5	133.07/60.36
h@ms Cash	142.87/64.81
HyLife	143.55/65.11
TCP/BP2	131.16/59.49
BP4/TCP4	142.91/64.82
Cumulative Top-Up Estimate \$7.39 CAD/ckg	
ISO Weans \$61.46 US Avg.	
Feeder Pigs \$67.60 US Avg.	

Forward contract prices opened higher this morning. US cash markets are mixed with the regions representing uncommitted hogs higher by about a dollar while the National region is lower by \$0.53 USD/cwt. The cash markets have yet to break out of their recent pattern and are instead mirroring the trends seen at the end of the 2019 which could have been described as directionless and under pressure. The National region is about 7% below the five-year average benchmark while the WCB region is 18% lower with the daily price at its lowest level for this marketing week going back to 2015. Weekly slaughter was over 6% higher than year ago and combined with some labor shortages experienced by plants, there are massive amounts of supply available at precisely the same time there is competition for shackle spaces. The net of these 'events' is pressure on live hog prices which will likely remain until the widely expected seasonal tightening of supplies and/or the export market picks up. In any event, the market could see some pressure heading into the spring as it did in 2019 and while it is a bit too early to project a trend, this year is looking very similar to 2019 from a trend analysis perspective...so far. Lean hog futures are seeing some support this morning and have completely retraced yesterday's losses as of this writing across all contracts observed. While this is a positive development, the market has a way to go to climb out of the recent lows. Yesterday's activity pushed the market to lows not seen since (at first) August of last year, and more recently, the end of November/beginning of December; the premium over the historical cash history reached a low of 9% net all contracts on average. The point is, while forward contract values (as a function of the lean hog futures) could be described as 'good', or at fair value, the market is at some of its lowest levels seen recently. All market watchers will be eagerly waiting to see the details of the so-called Phase One trade deal that is expected to be signed tomorrow.

Canadian delivered soymeal prices opened mixed this morning. Phase One trade deal speculation dominates the headlines this morning in a pattern that will likely be repeated tomorrow followed by analysis of the text (assuming those details are released at signing tomorrow) in the coming days and weeks. Export inspections reported on Monday for week ending January 9 beat the upper end of the expected range coming in at 1.136 MMT. Brazil harvest has started, and the Mato Grosso region is reporting a 1.8% harvest pace (average 2.6%) but it is much too early in the season to start drawing conclusions on 'Brazil' just yet.

US corn futures opened higher this morning. US corn futures are mixed and currently at the whims of other commodities that are more susceptible to news and/or developments on the Phase One trade deal with China. Little, if any, details on the text are expected to be released ahead of tomorrow's signing, but there appears to be no drama ahead of Wednesday, and the deal is expected to be signed tomorrow, in Washington, DC, without incident as of this writing.

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig 4		153.02 153.65	150.47 159.75	166.66 168.98	169.33 183.01	186.02 193.44	192.53 195.31	173.08 194.89	164.73 169.14	165.09 168.57
Maple Leaf Sig 5		144.38 145.84	145.09 155.77	162.21 164.85	166.73 180.17	184.36 191.13	189.08 192.38	159.53 191.25	151.68 156.04	155.94 159.83
Soymeal Delivered Wpg/S.Man	457	463	466	469	469	476				

This bulletin is intended as a marketing tool for subscribed members only. Prices are not quotes and all pricing is subject to verification. Opinions expressed do not guarantee future events or performance. Unauthorized distribution is strictly prohibited.

Risk Management will be closed Monday, January 20 for Martin Luther King Day in the USA.
 US Markets are closed and all Forward Contracting will be suspended for the day.
 The HMO and Opening Price reports will subsequently not be published.
 The Main Office will remain open, as normal, over this time.