

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 16, 2020

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

US Slaughter	
498,000	Wednesday
477,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$51.80
W. Corn Belt	\$51.81
National	\$63.04
ML Signature 5	\$134.98
HyLife (prev. day)	\$144.93
TCP/BP2	\$134.98
BP4/TCP4	\$146.03
BoC Rate (Noon) prev. day	
\$1.3050 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 lower this morning. US cash markets are higher with ISM and WCB up by \$0.07 and \$0.09, respectively while the National region is up by \$0.45 USD/cwt. Despite this, strength has not returned substantially to cash markets and it does not appear that a new trend is developing yet. Massive amounts of supply are weighing on the cash trade that currently sees the National region 6% lower than the three-year average while the WCB is 17% lower than the benchmark. While the market is waiting for seasonality (and the thought of increased exports) to usher in price supports, those events have not yet taken place. Furthermore, it could take a couple weeks for support to return. That is, weights need to come down in order for the supply fundamentals to be supportive and there is talk, in part, supported by the larger weights, that marketings are a bit behind. As well, and there are many perspectives on this, there are some suggesting Chinese buyers may not enter the US market with sustained strength until the Phase One trade deal comes into force 30 days from yesterday. Of course, 'surprise' commitments from Chinese buyers ahead of the deal coming into force could be supportive to the lean hog futures market, but until such time that export demand physically draws down domestic supply, price pressure will be a likely feature of the cash market in the short term. Yesterday, President Trump said that China "will now welcome American...pork", but the timing of future commitments very much remains to be seen even though the signing of the latest deal does pave the way for smoother interactions. On paper, China has committed to \$12.5 billion above a 2017 baseline in 2020 and 19.5 billion above a 2017 baseline in agricultural goods, but no specificity has been determined on pork as of this writing. Lean hog futures did not really react to the signing of the deal yesterday and are trading lower as of this writing, perhaps due to some lingering skepticism and/or a desire to see more concrete proof. Export sales released this morning did not show China taking any meaningful commitments last week which is unsurprising ahead of the deal.

Canadian delivered soymeal prices opened lower this morning. On paper, the signing of the so-called Phase One trade deal looks to be promising, but now the market must wait for Chinese purchasers to make good on the commitments made yesterday. The list of 'agricultural products' is not limited to beans and pork, so it will be interesting to see the product mix making its way into China in 2020. Trade deal optimism, weather, and production concerns pushed beans higher earlier in the week, but the trade is lower this morning with some suggesting beans are a bit overbought for now.

US corn futures opened lower this morning. There are some suggesting that China could commit to taking more ethanol products from the USA to help achieve the \$12.5 billion above 2017 baseline goal for all goods specified in yesterday's trade deal signing but ethanol has not been earmarked per se and there is no commitment from China to take on any quantity of ethanol. There, of course, is talk that this could happen but that very much remains to be seen. China has not traditionally been a large customer for US corn.

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig 4		149.80 151.08	147.25 156.52	163.50 165.81	167.67 181.34	184.35 191.77	190.51 193.29	171.59 193.06	163.25 167.65	163.71 167.19
Maple Leaf Sig 5		141.12 143.24	141.83 152.49	158.99 161.63	165.05 178.47	182.66 189.42	187.04 190.34	158.04 189.40	150.20 154.55	154.55 158.44
Soymeal Delivered Wpg/S.Man	457	457	460	464	464	470				

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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.