

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 17, 2020

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

US Slaughter	
497,000	Thursday
473,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$51.04
W. Corn Belt	\$50.83
National	\$63.48
ML Signature 5	\$134.26
HyLife (prev. day)	\$145.80
TCP/BP2	\$134.26
BP4/TCP4	\$146.99
BoC Rate (Noon) prev. day \$1.3045 CAD / \$0.7700 USD	
Cash Prices Week Ending January 18, 2019	
Signature 3	121.86/55.28
Signature 4	145.22/65.87
Signature 5	133.54/60.57
h@ms Cash	143.22/64.96
HyLife	N/A
TCP/BP2	133.07/60.36
BP4/TCP4	144.87/65.71
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 to finish the third marketing week of 2020 and remain under pressure, mostly due to the large supplies available. The weekly National reference price is \$0.02 lower than the previous week; WCB is higher by a dime (USD/cwt) but also at the lowest value seen at this time of year going back to 2015. While it is a bit too early to project a trend, pricing profiles in all monitored US regions are more or less mirroring (so far) the pattern seen last year which was near the lower end of the historical patterns. In sum weekly reference base prices in USD/cwt are seasonal-to-lower relative to history and will likely remain under pressure until such time demand picks up from any market, but especially from the export channel. Pundits and analysts will be therefore closely watching weekly export sales numbers for clues on direction. Exports last year from the USA were stronger than history, led by China purchases, especially in the latter part of the fourth quarter, where some new records were set. China will likely remain an active buyer and post numbers that are better, relative to history. But will China live up to expectations? What about the Phase One trade deal? Unfortunately, the tariff rates applied to US pork products will remain in place for now and there is much speculation if and when those tariffs will be removed. It is true that there is a massive production deficit in China but 'need' has been elusive to define and China purchasers have been extremely disciplined in their purchasing strategy. Lean hog futures have not 'reacted' to the signing of the deal likely because the dynamics of trade have not changed following the signing. Market watchers were hopeful that tariff rates would be addressed in the Phase One round but other than a commitment to "Expand the allowable product scope for U.S. pork and pork products including bungs and intestines and processed products", pork as a line item in the deal has not really been addressed and the specifics remain vague. We still say risk to the upside as the potential remains significant, but the market will likely have to wait for more concrete evidence before staging the next round of notable support.

Canadian delivered soymeal prices opened higher this morning. While the US soybean futures trade is moving higher as of this writing, the action could be considered a 'bounce' after the nearby contract pushed lower in the past couple sessions. Markets were unimpressed with the signing of the so-called Phase One trade deal and even though commitments above a 2017 baseline were made, many analysts are wondering if China can 'make good' on the commitments that have been only defined in terms of value in aggregate. China's position maintains market conditions will dictate future purchases but have so far expressed a willingness to be able to meet value goals made in the recent agreement.

US corn futures opened higher this morning. Like beans, US corn futures are staging a correction following a relatively steep decline in the previous session. US corn is not as subject to China dynamics but there was earlier optimism ethanol could be an opportunity in the region before China announced they were abandoning their domestic ethanol program last month. Yesterday's export sales report showed corn coming in at 991,700 MT against the 950,000 MT upper end estimate, providing underlying support.

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig 4		151.50 152.96	148.95 158.23	165.20 167.52	169.72 183.40	186.42 193.84	192.55 195.33	173.21 194.63	164.87 169.27	164.90 168.37
Maple Leaf Sig 5		142.84 145.15	143.55 154.22	160.72 163.36	167.13 180.57	184.76 191.53	189.11 192.41	159.69 191.00	151.85 156.20	155.79 159.67
Soymeal Delivered Wpg/S.Man	458	458	461	465	465	472				

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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.