

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 24, 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.	\$51.67
W. Corn Belt	\$51.50
National	\$64.67
ML Signature 5	\$137.46
HyLife (prev. day)	\$149.28
TCP/BP2	\$137.46
BP4/TCP4	\$150.86
BoC Rate (Noon) prev. day \$1.3143 CAD / \$0.7610 USD	
Cash Prices Week Ending	
January 25, 2019	
Signature 3	123.28/55.92
Signature 4	148.93/67.55
Signature 5	136.10/61.73
h@ms Cash	146.93/66.65
HyLife	N/A
TCP/BP2	133.54/60.57
BP4/TCP4	145.22/65.87
Cumulative Top-Up Estimate	
\$7.39 CAD/ckg	
ISO Weans \$60.73 US Avg.	
Feeder Pigs \$65.91 US Avg.	

Forward contract prices opened lower this morning. US cash markets are once again mixed with ISM, and WCB down by \$0.30 and \$0.46, respectively, while the National region is up \$0.23 USD/cwt. In a refrain that is starting to sound repetitive, the live hog market is simply waiting for either 1) a large drawdown in supply due to a seasonal tightening of those supplies (weight and slaughter related) and/or, 2) an uptick in demand (more on this below). The Cold Storage report released this week shows all pork in cold storage is up ~11% relative to the 2013-2017, five-year average with much speculation on the reason for this year's outlier. Large amounts of supplies for production and product available will likely be pressuring in the short-to-mid terms. Lean hog futures are down sharply early in the session this morning, completely erasing the previous day's gains as of this writing. The holiday-delayed Export Sales report released before trading showed net sales of 30,300 MT (all regions) which is entirely in-line with the historical trend. Where's China? For now, no new *significant* sales are making it on the balance sheet, likely due to the fact that the terms of the so-called Phase One trade deal do not come into force until February, and moreover, that the retaliatory tariffs China placed on US pork *were not* negotiated into the deal. There may also be more 'practical' reasons including the observation that current outstanding commitments are significantly, record-large suggesting Chinese buyers can simply draw down on their historically large commitments before taking on new ones. Current marketing year commitments are simply being drawn down and new marketing year commitments are miniscule. The good news is that physical deliveries (all regions) are up some 144% (!) relative to the same time last year with China taking 38% of the 44,417 MT as reported by the USDA. While this a positive development, the market will need to see consistent volumes at, at least, these levels in order to draw down stocks sufficiently enough to start clearing the market while also posting new commitments showing China (or any market for that matter) will be purchasing more US pork further out.

Canadian delivered soymeal prices opened higher this morning. The 790,000 MT value reported on the Export Sales report this morning is only slightly above the historical trends seen at this time of year. The market is waiting for China to enter the market citing commitments to US agriculture products in the Phase One deal of which soybeans are expected to figure prominently. However, the critics will point out China typically does not buy US beans until much later in the year and there are no major commitments currently on the balance sheet. China took almost half of the physical deliveries last week but the global total of 1.053 MMT is at the lower end of the historical range and entirely within seasonal patterns.

US corn futures opened lower this morning. Like beans, US corn futures are lower this morning, but the export story is somewhat better than the one found in beans. Net sales were up 28% over the previous week and 92% higher than the rolling four-week average. Physical deliveries were also up keeping pressure on the nearby contracts in check. However, the market is under pressure, mostly on technical grounds, after pushing through resistance levels following a bit of support seen earlier in the week.

Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig 4		151.10 153.15	148.53 157.86	164.81 167.14	168.77 182.53	185.56 193.02	191.86 194.65	172.07 194.02	163.69 168.11	164.13 167.62
Maple Leaf Sig 5		142.36 145.28	143.08 153.81	160.29 162.94	166.14 179.64	183.86 190.66	188.38 191.69	158.44 190.34	150.75 154.94	154.92 158.82
Soymeal Delivered Wpg/S.Man	460	459	462	465	465	471				

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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.