

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 29, 2020

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

US Slaughter

498,000 Tuesday

466,000 Year Ago

Daily Prices

Iowa/S. MN. \$55.39

W. Corn Belt \$55.39

National \$65.49

ML Signature 5 \$143.50

HyLife (prev. day) \$151.94

TCP/BP2 \$143.50

BP4/TCP4 \$153.90

BoC Rate (Noon) prev. day
\$1.3179 CAD / \$0.7600 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 148.23/67.24

TCP/BP2 133.54/60.57

BP4/TCP4 145.22/65.87

2019 Top-Up (call for details)

\$7.39 CAD/ckg

ISO Weans \$59.15 US Avg.

Feeder Pigs \$65.45 US Avg.

Forward contract prices opened lower this morning. US cash markets in all monitored report regions are up by about a dollar USD/cwt this morning representing the first time all three regions are moving in the same direction this week. However, the ability of the cash market to maintain a steady trajectory higher will likely be challenging. While daily slaughter numbers are coming in at what is believed to be near the upper processing limit for the past two consecutive days, indicating strong demand from packers, demand on the meat side has been good but less than anticipated especially in export channels. As well, there are large supplies of hogs available meaning processors do not have to compete aggressively for now. In the past six weeks, slaughter levels have been 4.2% higher than year ago, but 3% lower than the estimated number of pigs thought to be available over that time according to the last Quarterly Hogs and Pigs report. That difference is expected to narrow in the coming weeks and months and there are indications a shift is already taking place – slaughter in the past three weeks is up 8.5% compared to year ago and against a 4.6% increase in available supply for the weight category expected to come to market according to the USDA. A further seasonal tightening should usher in some price supports, but the timing of that event is yet to be revealed. Meanwhile, lean hog futures are lower once again this week as global economic uncertainty weighs on the trade, mostly, due to coronavirus speculation. As well, the market is attempting to reconcile the massive amount of pork coming to market mentioned above with a demand profile that has yet to *substantially and consistently* show signs of strength. Phase One trade terms do not go into force for pork until the beginning of February, tariffs have not been removed in the deal in any event, the Lunar New Year holidays have been extended by three days, and not much purchase activity is expected from China until into February. Tomorrow's export sales report will be watched closely for clues, but there is not much optimism for significant numbers in this week's report unless a surprise purchase from another partner due to low US pork prices shows up in the numbers.

Canadian delivered soymeal prices opened lower this morning. Concerns on macro economic demand softness due to coronavirus fallout remains front-and-centre and pressuring the market over the last couple sessions. South American production estimates are also weighing on the trade with near-record production estimates starting to make the rounds. For now, weather and harvest news, while important, is taking a back seat to the coronavirus news which has revealed almost 6,000 cases and 132 casualties with the most recent information.

US corn futures opened lower this morning. Like beans, pressure remains on the US corn futures trade as most other commodities also trade under pressure. While US corn did see a bit of a reversal yesterday, futures are trading lower this morning but residing near the middle of the recently established range. The nearby contract remains about 15 cents away from the psychological \$4.00 USD/bu. benchmark

Forward Range
(at opening)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig 4		143.67	141.09 150.46	157.45 159.79	162.25 176.06	179.11 186.60	185.57 188.38	166.30 188.31	157.88 162.32	158.24 161.75
Maple Leaf Sig 5		134.76	135.47 146.26	132.77 155.43	159.48 173.05	177.28 184.12	181.95 185.28	152.50 184.49	144.57 148.98	148.88 152.80
Soymeal Delivered Wpg/S.Man	462	456	459	463	463	469				

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STRENGTH IN NUMBERS

