

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 3, 2020

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

US Slaughter

2.703 mil. Last Week

2.372 mil. Year Ago

Daily Prices

Iowa/S. MN. \$53.15

W. Corn Belt \$53.09

National \$65.48

ML Signature 5 \$140.12

HyLife (prev. day) \$150.00

TCP/BP2 \$140.12

BP4/TCP4 \$151.46

BoC Rate (Noon) prev. day
\$1.3233 CAD / \$0.7600 USD

Cash Prices Week Ending February 1, 2019

Signature 3 131.27/59.54

Signature 4 152.69/69.26

Signature 5 141.98/64.40

h@ms Cash 150.69/68.35

HyLife 151.14/68.56

TCP/BP2 136.10/61.73

BP4/TCP4 148.93/67.55

2019 Top-Up (call for details)

\$7.39 CAD/ckg

ISO Weans \$51.67 US Avg.

Feeder Pigs \$65.18 US Avg.

Forward contract prices opened mixed this morning. US cash markets are lower to start marketing week number six with ISM, WCB, and National regions down \$0.44, \$0.28, and \$1.16 USD/cwt, respectively. Compared to history, this is unsurprising and while it is much too early to declare a trend, cash prices typically see some weakness at this time of year until about late March or early April. Recall that despite the optimism and hope for the seasonal tightening of supplies to develop, and demand for demand metrics to improve, last week's kill was estimated at 13.95% higher than year ago (!) and demand has yet to substantially materialize in quantities enough to usher in price support. To be sure, weekly export volumes are higher than the recent trends, but more pork will have to disappear from the market, to create more competition among packers, in order to be supportive to cash. Lean hog futures opened the session higher to start the week after significant weakness and limit-down moves over multiple contracts last week. However, it is much too early to call it a 'recovery' per se. The trade so far has been two-sided and choppy, and there is little indication of follow-through buying as of this writing. As such, futures values remain at contract lows and are in fact about 2% lower when compared to the annual cash settle three-year average. Put another way, Canadian forward contract prices are currently lower, on average, than what the cash market paid out, on average, over the past three years. A presumed mass exit of institutional investors last week over coronavirus fears impacting global economics was the main rationale for the selling last week. Moreover, China has yet to *substantially and consistently* enter the US market for pork. Coronavirus could take some time to be resolved and commodities could be pressured in the interim. However, Phase One terms on US pork go into force this week (as opposed to later in the month like most other goods) and the market will be closely watching the weekly export sales report for clues. The report this week will likely not show any 'new' activity as reports are based off activity in the previous week, but the report released on February 13 (for week ending February 6) will be eagerly anticipated even though retaliatory tariffs on US pork were not removed in Phase One.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are lower to start the week as pressure in commodities due potential coronavirus complications remain front and centre. The trade finds itself amid lows not seen since last May when the impacts of last year's poor planting conditions had not yet been priced into the market. While there have been some 'up' days in beans, the nearby contract has pushed lower as a trend since the beginning of the year and is down approximately 9.2% since January.

US corn futures opened lower this morning. Like beans, US corn futures are lower to start the week but not exhibiting signs of a sell-off the likes of which see last week. Unlike beans, the US corn trade has been choppy since the beginning of the year; the nearby contract has only seen a 2.6% decrease in value since January, but the corn market was also trading amid lows seen, like beans, last May. All commodities will likely need to see some coronavirus certainty (or stability) and increases in demand before real support starts to develop.

Forward Range
(at opening)

Maple Leaf
Sig 4

Maple Leaf
Sig 5

Soymeal
Delivered Wpg/S.Man

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
		122.63 132.04	139.08 141.43	151.95 165.83	168.88 176.41	177.45 180.26	159.31 181.79	150.86 155.32	151.35 154.87
		116.68 127.51	134.07 136.75	148.99 162.62	166.87 173.73	173.67 177.01	145.33 177.85	138.34 141.80	141.82 145.76
	449	452	457	457	465	465			

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STRENGTH IN NUMBERS

