

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 5, 2020

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

US Slaughter

496,000 Tuesday

474,000 Year Ago

Daily Prices

Iowa/S. MN. \$52.81

W. Corn Belt \$52.79

National \$63.65

ML Signature 5 \$139.25

HyLife (prev. day) \$148.71

TCP/BP2 \$139.25

BP4/TCP4 \$150.02

BoC Rate (Noon) prev. day
\$1.3278 CAD / \$0.7531 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 lower this morning. US cash markets are once again mixed with ISM and WCB regions down by approximately \$0.90 while the National region is up by \$0.40 USD/cwt. Cash markets remain unremarkable, setting new trends neither higher nor lower and still hovering at levels lower than the average cash values seen at this time of year. An article published yesterday noted that while hams, ribs, trim, and loins have been recently supportive, and higher than year ago, these same primals have seen their value abruptly drop last week and the net value of the cutout has likewise fallen in the same timeframe. The move lower has been attributed to the recent coronavirus concerns and a subsequent waning of demand in the short term as pipelines are reportedly being disrupted due to the outbreak. Others have identified that after the 2003 SARS outbreak subsided and came under control, overall demand improved markedly. However, the coronavirus outbreak has yet to be resolved and ideas that demand could improve remain just that for now as well as highly speculative, albeit reasonable. A lot of domestic US meat is being processed and the supply of live animals remains ample in the interim. Lean hog futures saw initial support yesterday but settled lower on the day across all contracts. The current value of all futures contracts when averaged now reside some 4% lower than the cash values over comparable timeframes. The weekly Export Sales report will be closely watched for clues on direction when released tomorrow but the general consensus is that no significant new commitments will be made for the reporting period. Physical deliveries have so far remained much higher than historical volumes to start the year and China has taken almost half of the weekly totals, breaking the typical trend. But new commitments have been lacking and subsequently not providing incentive to futures; the level of physical exports, while good, has not been enough to clear the market and usher in cash supports. In a refrain that is starting to sound repetitive, the market is simply going to have to wait for stronger demand to develop and one of the key factors to watch at present is for more certainty on issues related to the coronavirus for now.

Canadian delivered soymeal prices opened mixed this morning.

While coronavirus concerns dominate the headlines, US bean futures saw some support yesterday, mostly, on discount buying amid the recent lows. The support could be fleeting. China, historically a large US buyer of beans until the recent trade dispute, typically buys beans from Brazil at this time of year. There was talk making the rounds that China was looking for cargoes, but that their focus was on Brazil; Brazilian beans are currently at a discount relative to the Gulf making South American supplies more attractive at this time.

US corn futures opened higher this morning.

There is talk making the rounds that Chinese officials have issued import licenses for US corn to private Chinese companies. The talk, if true, would likely be supportive but China is not typically a large purchaser of US corn, so upside potential is likely limited, pressure due to Phase One 'commitments' notwithstanding. The weekly Export Sales report will be released tomorrow morning, but US corn exports as a share of disappearance are not as high as for soybeans, and the current pressure seen in commodities due to coronavirus could likewise limit the upside even if exports are considered 'good'.

Forward Range
(at opening)

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		130.02 139.22	146.12 149.42	155.16 170.27	174.05 181.84	161.71 183.06	161.71 184.05	151.56 156.28	146.74 155.23	141.08 143.91
Maple Leaf Sig 5		121.04 131.79	137.72 142.69	149.48 164.95	169.58 177.14	175.15 176.47	145.05 177.60	136.23 140.78	130.21 144.40	121.95 126.38
Soymeal Delivered Wpg/S.Man	447	447	455	455	463	463				

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