

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, February 6, 2020

For details call: (204)235-2237 or visit

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## US Slaughter

496,000 Wednesday  
472,000 Year Ago

## Daily Prices

Iowa/S. MN. \$49.15  
W. Corn Belt \$49.15  
National \$63.07

ML Signature 5 \$134.25

HyLife (prev. day) \$147.39

TCP/BP2 \$134.25

BP4/TCP4 \$148.77

**BoC Rate (Noon) prev. day**  
\$1.3289 CAD / \$0.75310 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/kg

ISO Weans \$51.67 US Avg.

Feeder Pigs \$65.18 US Avg.

**Forward contract prices opened higher this morning.** US cash markets are lower with ISM and WCB down \$3.66 and \$3.64, respectively, while the National region is down by a more modest (relatively speaking) \$0.58 USD/cwt. While the cash trade has been two sided over this week's reference period, the net result this week appears to be more down days than up. In a normal marketing year, this would be unsurprising; recall that pressure on cash markets has been typically maintained until about the end of March and until a seasonal dropping of weight (and subsequent tightening of supply) develops later in the spring. This year, some have been optimistic that the global production loss of pork due to ASF (and the more recent signing of the Phase One trade agreement) would usher in 'extra' demand and clear the market of the available supply. However, these 'events' have not yet translated into extraordinary demand from China (yet) and the US market still has ample live supplies, not to mention a lot of pork on hand. Lean hog futures opened with notable support this morning and some contracts reached limit levels up in the early morning trade although futures contracts have moderated somewhat as of this writing. The move comes on the heels of news that surfaced last night, reported in Reuters, that China will halve tariffs on some US imports. Now, China is not halving the entirety the full tariff amount and details in the article suggest it is 'only' applying the discount to the 10% and 5% increases when the trade war heated up. But a date has been announced (February 14) and pork is reported elsewhere as being among the list of goods that will benefit from this round of tariff reductions. This morning's export sales report reflected more of the same that saw physical exports come in at 42,900 MT with China taking 37.8% which are all records for this time of year. But new net sales commitments are still seasonal and China has 'only' committed to 5,100 new MT this week for the current marketing year. No new marketing year commitments have been made but they are rarely reported that far out at this time. China has massive current marketing year commitments so it could take some time for them to draw down on those volumes and commit to 'more'. But last night's tariff news and the general export trend is promising and could hint at a sign of things to come.

## Canadian delivered soymeal prices opened mixed this morning.

Despite the good tariff reduction news regarding China, US soybean futures are trading lower this morning. Weekly export sales saw beans up from both the one and four-week averages, but net sales have been reflecting seasonality. Physical exports are seasonal (1.488 MMT delivered), new net sales for the current marketing year came in at 703,835 MT and near the middle of expectations, and very little new marketing year commitments (4,000 MT) were reported. These volumes are not enough to usher in new support currently.

**US corn futures opened lower this morning.** Like beans, US corn futures are under pressure to start the session. The tariff news is positive, but the Chinese market has not been a prominent one for US corn relatively speaking and thought that US ethanol could enter the Chinese market remain just speculation for now. This morning's export sales report showed new net sales of US corn coming in at 1.247 MMT against a pre-report expectation of between 700,000 and 1,450,000 MT; physical deliveries were reported at 599,000 MT.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		135.33 144.54	151.39 154.70	159.50 174.61	178.39 186.18	184.79 187.79	165.82 188.03	155.67 160.39	150.66 159.28	145.00 147.83
Maple Leaf Sig 5		126.44 137.19	143.07 148.04	153.88 169.36	173.99 181.55	179.54 180.86	149.21 181.63	140.38 144.94	134.19 148.50	125.91 130.35
Soymeal Delivered Wpg/S.Man	446	449	453	454	462	462				

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STRENGTH IN NUMBERS

