

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 7, 2020

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

US Slaughter

493,000 Thursday

434,000 Year Ago

Daily Prices

Iowa/S. MN. N/A

W. Corn Belt \$50.41

National \$62.56

ML Signature 5 \$135.19

HyLife (prev. day) \$146.31

TCP/BP2 \$135.19

BP4/TCP4 \$147.57

BoC Rate (Noon) prev. day
\$1.3290 CAD / \$0.7524 USD

Cash Prices Week Ending

Signature 3 126.08/57.19

Signature 4 149.33/67.74

Signature 5 137.70/62.46

h@ms Cash 147.33/66.83

HyLife N/A

TCP/BP2 141.98/64.40

BP4/TCP4 152.69/69.26

2020 Top-Up (rolling estimate)

\$11.74 CAD/ckg

ISO Weans \$51.67 US Avg.

Feeder Pigs \$65.18 US Avg.

Forward contract prices opened higher this morning. US cash markets are mixed to close the week with the regions competing for uncommitted supplies making up just slightly over a third of the previous day's losses while the National region once again pushed lower by over \$0.50 USD/cwt. Thursdays mark the end of the reference pricing period and this week pricing has pushed lower relative to the previous week. The National region is \$1.87 lower and the WCB is \$2.50 USD/cwt lower compared to week ago. Pressure remains on cash markets, mostly due to massive supply and not enough demand to clear the market. A seasonal tightening of supplies is not expected to develop for over a month and a half and the coronavirus outbreak has disrupted supply and demand pipelines. Cash markets will likely have to wait for some material strength to develop and if history is any guide, prices could be expected to drop by another 3% in the National and 5% in the WCB, on average, assuming 'normal' trends are maintained. With all that's happening currently though, 'normal' is probably not going to be the result, but pressure on the cash market is a likelihood in the short term. Yesterday, six out of seven monitored lean hog futures contracts reached limit up on news that China will be removing some previously ramped-up tariffs. 'Additional' tariffs will be halved on February 14; the previous goods that saw an additional 10% increase will be reduced to 5% - goods with 5% additional will see 2.5% after the reductions are applied. There was also at least one analyst claiming that a Tyson Foods quarterly earnings call suggested Chinese demand for US pork could be up over 600% in the first quarter of 2020 compared to last year... for Tyson. While that may be true, aggregated exports from all the USA are expected to be up less than 20% in Q1 2020, which is still a record. In any event, the tariff announcement likely had more to do with the support seen yesterday that one earnings call, but the news is all welcomed after the market has resided among the lows recently. Despite yesterday's move higher, however, futures are still valued 1% less, on average, when compared to average cash performance benchmarks and the market has a way to go before reaching good hedging values once again. Lean hog futures have backed off from yesterday's strength and are mixed as of this writing with follow through buying only seen in the nearby futures contracts in the early morning session.

Canadian delivered soymeal prices opened higher this morning.

The market is still being influenced by ongoing coronavirus developments but the mass sell-off has subsided for now. Next week, the February WASDE report will be released where 2019/2020 ending stocks are pegged ahead of the report at 433 million bu. There were headlines yesterday announcing that the USDA would not incorporate Phase One estimates into the numbers but, how could they? Projecting Phase One commitments would be a speculative guess at best and China still maintains market conditions will guide purchases. The WASDE report will be released on Tuesday.

US corn futures opened higher this morning.

US corn futures are still trading within the recently established range but are higher as of this writing. Like in the bean trade, US corn futures traders will be watching Tuesday's WASDE report for clues on further direction. For now, pre-report estimates are coming in for the 2019/2020 crop to see 1.864 billion in ending stocks. New crop estimates are not published until the month of May.

Forward Range
(at opening)

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		137.80 146.54	153.50 156.81	161.46 176.59	180.38 188.18	187.14 189.74	167.40 190.05	157.23 161.96	152.93 161.01	147.25 150.09
Maple Leaf Sig 5		128.46 139.22	145.20 150.18	155.87 71.37	176.01 183.57	181.92 183.24	150.80 183.67	141.95 146.52	136.45 150.24	128.16 132.60
Soymeal Delivered Wpg/S.Man	452	455	460	460	458	458				

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STRENGTH IN NUMBERS

