

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 10, 2020

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

US Slaughter

2.691 mil. Last Week

2.511 mil. Year Ago

Daily Prices

Iowa/S. MN. \$48.71

W. Corn Belt \$48.65

National \$61.87

ML Signature 5 \$132.38

HyLife (prev. day) \$144.72

TCP/BP2 \$132.38

BP4/TCP4 \$146.11

BoC Rate (Noon) prev. day
\$1.3305 CAD / \$0.7520 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 146.84/66.61

TCP/BP2 141.98/64.40

BP4/TCP4 152.69/69.26

2019 Top-Up (call for details)

\$7.39 CAD/ckg

ISO Weans \$45.99 US Avg.

Feeder Pigs \$52.67 US Avg.

Forward contract prices opened higher this morning. US cash prices are lower to start the week. The WCB region is down by \$1.76 while National is a more modest \$0.69 USD/cwt lower relative to the previous day; there is no comparison for ISM as confidentiality reasons were cited for non-reporting the previous day. The move puts this year's current cash market trend along similar lines as other years which typically push lower for another couple weeks on average. To date, export volumes have not been good enough to clear the market, there is a lot of supply available, there is a lot of pork being produced, and weights are not expected to move seasonally lower until the end of March. Last week's kill came in 7.2% higher than year ago. Current modelling suggests the WCB and National regions, from which Canadian pricing is based, could push lower by 5% and 3%, respectively, using the five-year cash average price trend as the benchmark although modelling in these volatile times and a pipeline-disrupting disease rapidly spreading (i.e. coronavirus) will likely reveal limitations in any model. Lean hog futures were not able to develop momentum after China announced last week it would remove some of the 'extra' retaliatory tariffs on February 14. Futures markets are mostly lower this morning while it remains very unclear what the economic fall-out from the coronavirus could be, which is pressuring all markets. The general idea for now is that China will experience an economic slow down that will ripple through the global economy. It is almost impossible to get a complete picture of ground level developments at the centers of the outbreaks, but there is anecdotal and other 'evidence' that containment attempt activities are causing major disruptions that could impact demand for a multitude of goods including pork. The primary goal appears to be with disease containment for now and markets will simply have to wait for outbreak to run its course. We have been saying 'the market will have to wait' for some time now, but that's really all there is to it. Demand will pick up from China at some point and futures markets will likely see a boost when clear and consistent commitments from China start to make it on the sales reports and/or China announces that more tariff reductions will be applied. Until then, the market is in a holding pattern with futures markets trading 0% (i.e. zero - with no statistical change) from the three-year cash average history to start the week.

Canadian delivered soymeal prices opened higher this morning.

Tomorrow the February WASDE report will be released mid-trade at 11:00 AM central. The extent to which this report is a 'market-moving' report remains to be seen. In the meantime, pre-report estimates show market participants are looking for a reduction in average ending stocks estimates from the January report's 475 million bu. to 433 million bu. this month. Brazil production is estimated at 123.65 MMT, slightly higher than last month as is Argentina production with 53.16 MMT in the pre-report estimates.

US corn futures opened lower this morning.

Tomorrow's WASDE report is expected to show US corn ending stocks to come in at 1.864 billion bu on average which is slightly lower than the 1.892 billion bu. number that was shown in the January report. The upper end of the range of estimated at 1.942 billion bu which could add pressure tomorrow. South American production of corn is estimated to be slightly lower for Brazil (100.85 MMT) and Argentina (49.97 MMT) relative to the January report.

Forward Range
(at opening)

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		137.61 146.83	153.64 156.95	163.40 178.53	182.31 190.11	189.06 191.67	170.32 191.50	160.15 164.88	155.84 163.96	150.16 153.00
Maple Leaf Sig 5		131.50 139.50	145.35 150.32	157.84 173.34	177.98 185.54	183.87 185.19	153.75 185.14	144.90 149.47	139.39 153.22	131.09 135.54
Soymeal Delivered Wpg/S.Man	458	461	466	466	473	473				

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