

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, February 13, 2020

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

US Slaughter

487,000 Wednesday

460,000 Year Ago

Daily Prices

Iowa/S. MN. \$48.72

W. Corn Belt \$48.60

National \$59.66

ML Signature 5 \$129.21

HyLife (prev. day) \$139.56

TCP/BP2 \$129.21

BP4/TCP4 \$140.35

BoC Rate (Noon) prev. day
\$1.3254 CAD / \$0.7575 USD

Cash Prices Week Ending February 8, 2019

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

2020 Top-Up (YTD Rolling Est.)

\$11.74 CAD/ckg

ISO Weans \$45.99 US Avg.

Feeder Pigs \$52.67 US Avg.

Forward contract prices opened mostly mixed this morning.

US cash markets are once again lower in all the monitored reporting regions with ISM and WCB down by approximately \$0.50 and the National lower by \$1.09 USD/cwt. The move reflects the second consecutive day this week all regions are lower than the previous day and a net loss since the beginning of this week's reporting period despite some two sidedness earlier in the week. In the simplest term, large US hogs and pork supplies combined with a demand profile (net all domestic and export regions) that is not enough to clear the market at current values is behind the pressure. The pressure is also seasonal from a trend analysis perspective so while it is disappointing, it is not surprising. Coronavirus complications will likely pressure in the short terms as well especially in the ever so closely watched Chinese export market where there is talk workers are not allowed to report for shifts at ports (for example) to unload ships as well other logistics related industries; movement activities are at a standstill in some cases creating bottlenecks. And that's just the logistics side. Demand in general has stalled as officials entice people to stay at home – many restaurants remain closed or are severely curtailing operations while foodservices are also feeling the pinch as factory and school cafeterias remain closed so long as the buildings are. Demand will likely rebound when the crisis is over, and China pig prices are rebounding as supplies are constrained, but there is a lot of disruption currently. Commentary that the disease could trigger an economic slowdown in China that could spread globally is starting to make the rounds with more frequency as well. The situation is dynamic and far from over. Lean hog futures are mixed to start the session with no reason to move sharply lower or higher at this time. This morning's export sales report showed net sales slightly higher than the seasonal average at 28,585 MT but with China only committing to 3,700 MT. Physical deliveries came in at 42,883 MT which is ~120% higher than the five-year average for the same marketing week and maintaining the trend since the beginning of the year. China took approximately 30% of the total, but much more than that will be needed to usher in price support on either the cash or futures side. Next week could reveal disappointing numbers into China if the logistics hurdles currently reported are reflected in the report.

Canadian delivered soymeal prices opened higher this morning.

This morning's export sales report came in at the lower end of the expected range with net sales at 644,800 MT. The volume is completely in line with seasonality and a little disappointing relative to the upper estimate of 1 MMT. Physical exports came in at the lowest volume for this marketing week going back to 2010. A delivered volume of 611,300 MT was reported which is 54% lower than the five year average. Cumulative sales were 53.7% higher than 2019, but 2019 was a very poor year and this week's number is ~23% lower than the five-year average.

US corn futures opened lower this morning.

Pre-export report estimates were suggesting US corn could see between 700,000 and 1,300,000 MT in commitments. This morning's report showed net sales at 968,800 MT and near the middle of the range. The number is 22% lower than previous week and 9% lower than the rolling four-week average. Physical deliveries came in at 782,800 MT which is a marketing year high so far and a continuation of a recent upward trend.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		133.77 142.95	149.77 153.07	161.19 176.25	180.01 187.78	187.80 190.38	168.67 190.43	158.56 163.26	154.05 162.21	148.41 151.23
Maple Leaf Sig 5		127.64 135.61	141.47 146.42	155.62 171.05	175.67 183.20	182.63 183.94	152.19 184.11	143.39 147.93	137.70 151.54	129.46 133.88
Soymeal Delivered Wpg/S.Man	454	457	462	462	470	470				

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h@ms Marketing Services will be closed Monday, February 17.

Markets are closed for Presidents Day in the USA and regional holidays in Canada.

Forward contracting will be unavailable - Opening Prices and the HMO will not be published.

Normal business resumes on Tuesday, February 18.