

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 19, 2020

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

US Slaughter	
494,000	Tuesday
476,000	Year Ago
Daily Prices	
Iowa/S. MN.	\$50.37
W. Corn Belt	\$50.35
National	\$59.09
ML Signature 5	\$130.71
HyLife (prev. day)	\$137.80
TCP/BP2	\$130.71
BP4/TCP4	\$139.07
BoC Rate (Noon) prev. day \$1.3258 CAD / \$0.7543 USD	
Cash Prices Week Ending	
February 15, 2019	
Signature 3	118.94/53.95
Signature 4	142.92/64.83
Signature 5	130.93/59.39
h@ms Cash	140.92/63.92
HyLife	141.06/63.98
TCP/BP2	137.70/62.46
BP4/TCP4	149.33/67.74
2020 Top-Up (YTD Rolling Est.) \$11.74 CAD/ckg	
ISO Weans \$41.24 US Avg.	
Feeder Pigs \$61.14 US Avg.	

Forward contract prices opened mostly higher this morning. Negotiated cash regions jumped higher by \$2.38 (ISM) and \$2.39 (WCB) USD/cwt. relative to the previous session which is a notable move relative to the previous trend. Follow through buying will need to take place before a new trend develops, but when the cash market has made a strong move in one direction recently (either higher or lower), a partial reversal the following day has been the norm. Nothing has fundamentally changed according to the most recent data, so it will be interesting to see what happens in tomorrow's reports. In the meantime, the trend remains lower with the negotiated regions currently 18% lower than the cash averages seen in this marketing week. The National region was up by \$0.34 but is currently 12% lower than the five-year average benchmark. Lean hog futures are exhibiting signs of support this morning on news that China will allow private buyers to apply for tariff exemption certificates on 697 goods of which US pork is included. The certificates allow importers to import products under the punitive retaliatory tariffs on US products and is expected to be available on March 2 but there is no word if there will be limits yet. This could be one of the reasons for some optimism in the markets this morning. It is all very speculative for now and there could be a fair amount of positioning taking place as physical evidence of increased exports as a result of the exemption certificates will likely not be available until at least three weeks when the certificates become available, and probably not until new volumes show up on the weekly export report published the following week (exports are reported on a one week lag). In any event, market participants will be closely watching for follow-through buying for the remainder of the week. Producers will also notice forward contract prices are higher this morning due to weakness in the Canadian dollar brought on by a risk-off sentiment due to coronavirus Covid-19 fears on global economic health, thoughts that GDP could suffer as a result of the recent Canadian railway closures, and weaker oil prices this morning.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading lower as the market backs off from the support seen yesterday. A large Brazilian crop is expected and provided that the weather remains non-threatening, it could present some competition for US product despite ideas that Phase One commitments will entice China buyers to purchase from the USA. China still maintains that market conditions will dictate purchase activity and has been a low-cost buyer in the past. In other news, soybean crush was record high at 176.9 million bu. and oil stocks are at 2.01 billion lbs which was more than expected according to the NOPA crush report.

US corn futures opened lower this morning. Like other commodities, US corn is lower this morning as markets are considering the longer-term economic impacts due to Covid-19. There is some talk whether the USDA will consider Phase One impacts in the Outlook for US Agricultural Trade report that will be released tomorrow after trading. The Export Sales report that is typically released on Thursday mornings will be delayed until Friday as a result of the long weekend this past Monday.

Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig 4		147.01 151.01	157.79 161.08	167.55 182.60	186.36 194.12	192.82 195.41	173.97 195.41	163.85 168.56	159.55 167.62	153.91 156.73
Maple Leaf Sig 5		139.66 143.80	149.62 154.57	162.09 177.51	182.12 189.65	187.74 189.05	157.58 189.17	148.78 153.32	143.28 157.03	135.04 139.46
Soymeal Delivered Wpg/S.Man	453	456	461	461	468	468				

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