



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 04, 2017

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

www.hamsmarketing.ca

Hog Prices: ↓ Soymeal: ↓
Corn: ↑ CDN Dollar: ↓

Forward contract prices opened lower this morning. US cash markets gained in value yesterday with negotiated prices in the regional markets adding nearly \$1.00 USD/cwt. This is somewhat surprising given that this week is the second consecutive week where the weekly production schedule was shrunk by one day due to holidays, leaving the hog supply abundant. If wholesale pork prices continue their recent weaker trend, cash markets are likely to follow suit. A concerning development has been the sharp downturn in the ham market which had prices of that primal cut fall by \$10.00 USD/cwt or about 13% over the last week. This could be a result of a significant slowdown in the sales to Mexico (the top export destination for US hams) due in part to a weak Mexican Peso that has eroded the country's purchasing power. Lean hog futures seemed to cave to the notion of slower exports in yesterday's trade, as the nearby February contract dropped more than \$2.50 USD/cwt. With the Mexican Peso down close to 1% again this morning and approaching all-time lows against the US Dollar, hog markets are expected to see more downward pressure again today.

Canadian delivered soymeal prices opened lower this morning. The US soybean futures market is starting the day off supported and almost all contracts are higher than previous day as of this writing. There are thoughts that a weather premium could be re-priced in amid a mixed bag of weather news coming from South America. On the one hand, heavy rain in Argentina has prompted talk that there could be planting delays for up to 2 million acres; on the other hand, recent rainfall in Brazil is replenishing soil moisture levels and reducing dry areas. In other news, there are rumors that a reduction in Argentine export taxes slated to start in 2018 could incent farmers to hold beans until the tax rates (start to) come down (0.5% per month to the end of 2019 bringing the rates from 30% to 18%).

US corn futures opened higher this morning. US corn futures continue to see some support on weather related concerns (Argentina still has approx. 25% of the crop to plant) and decent ethanol demand ahead of what is expected to be a less than enthusiastic approach to blend subsidies from the new incoming US administration. Some trading dynamics are also expected to support the market in the short-term. Analysts note that the index funds are carrying a large short position that will have to be 'rebalanced' (bought back) starting on January 9 which would likely influence a longer supportive trend.

| US Slaughter | |
|---|-----------------------|
| 444,000 | Tuesday |
| 435,000 | Tuesday (year ago) |
| Daily Prices | |
| W. Corn Belt | \$53.17 |
| National | \$59.59 |
| Iowa/S. MN. | \$53.34 |
| Signature 5 | \$136.55 |
| HyLife | \$140.82 |
| Britco | \$131.09 |
| Thunder Creek | \$136.55 |
| 4-Mo. Sig5 Fwd | \$153.24 |
| BoC Rate (Noon) prev. day \$1.3438 CAD / \$0.7442 USD | |
| Cash Prices Week Ending December 31, 2016 | |
| Signature 3 | 128.46/58.27 |
| Signature 4 | 144.68/65.63 |
| Signature 5 | 136.57/61.95 |
| h@ms Cash | 135.07/61.27 |
| HyLife | 143.58/65.13 |
| Britco | 129.30/58.65 |
| Thunder Creek | 136.28/61.82 |
| ISO Weans | \$52.06 US Avg. |
| Feeder Pigs | \$62.21 US Avg. |
| #1 Export Sows (+500lbs.) \$22.00/cwt. (Tagged) | |

| Fixed Forward Range (at opening) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
|-------------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 140.84 143.89 | 143.61 145.89 | 147.86 159.76 | 158.97 174.21 | 170.73 179.97 | 171.96 179.68 | 165.10 173.57 | 153.64 162.48 | 150.76 153.64 |
| Soymeal Wpg Del. | 457 | 457 | 457 | 481 | 481 | 486 | | | | |

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance and all pricing is subject to verification. Any unauthorized distribution is strictly prohibited.

WINNIPEG LIVESTOCK
HWY #6 AND RD 236

CALL CRYSTAL FOR MORE INFO 204-235-2225

**ACCEPTING;
SOWS
BOARS
LIGHTS
MARKET HOGS**