



# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 10, 2017

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

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Hog Prices: ↑ Soymeal: ↑

Corn: ↓ CDN Dollar: ↓

US Slaughter	
426,000	Monday
313,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$57.97
National	\$61.34
Iowa/S. MN.	\$58.09
Signature 5	\$142.22
HyLife	\$142.67
Britco	\$140.47
Thunder Creek	\$142.22
4-Mo. Sig5 Fwd	\$156.15
<b>BoC Rate (Noon) prev. day</b> \$1.3216 CAD / \$0.7563 USD	
Cash Prices Week Ending January 07, 2016	
Signature 3	131.95/59.85
Signature 4	142.02/64.42
Signature 5	136.98/62.13
h@ms Cash	135.48/61.45
HyLife	141.11/64.01
Britco	128.51/58.29
Thunder Creek	136.57/61.95
ISO Weans	\$55.77 US Avg.
Feeder Pigs	\$65.33 US Avg.
#1 Export Sows (+500lbs.) \$27.00/cwt. (Tagged)	

**Forward contract prices opened higher this morning.** US negotiated cash markets all reported strong gains to start the week with the Iowa/Southern Minnesota market gaining \$1.76 USD/cwt in yesterday's trade. US packers continue to benefit from excellent operating margins, but have recently given up about \$5.00 USD/hog; they are attempting to maintain their high production rates as hog numbers start to move off of peak levels seen over the last month. Lean hog futures have seen support recently, responding to the excellent export sales results that were released for November. Pork exports were up 18% year over year in November with the bulk of the gains coming from Mexico which purchased a record large 170 million lbs. of pork in that month. Traders were able to garner higher prices for the pork than the previous year, suggesting that demand has improved over the year. The remaining question about the pork trade is whether these gains can be sustained over the next six months. Producers without price protection in the spring timeframe should consider forward contracting as much as 50% of their production in order to secure profitable margins amid uncertain market fundamentals.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading modestly higher to start the session, mostly on follow through from index rebalancing yesterday and talk of interest from Chinese crush entities in both (S.A. and N.A.) supply markets. CONAB (Brazilian National Supply Company) has stated the country will produce 103.8 MMT compared to the 102 MMT estimated from the USDA and up from 95.43 MMT last year. While the estimate could be considered bearish against history and expectations, the number is in line with market expectation and therefore neutral on the trade despite relieving some supply concerns in the short to mid terms. US export pace continues to be good coming in 2.9% higher than the five-year average. The WASDE report will be released Thursday (12<sup>th</sup>).

**US corn futures opened lower this morning.** US corn futures continue in a bear trend as the fundamentals indicate more corn and more competition on the horizon. Weather improvements in South America (mostly Brazil) are relieving supply fears from the region and a relatively high US dollar is expected to dampen export demand into the summer. The result could be even more US supply than currently estimated (ending stocks estimates range between 2.3 and 2.5 billion bu. currently) and next year's crop could be near 1.8 billion bu. even with lower acreage. For now, export sales are 1.6% higher than the five-year average, keeping the downside in check.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		143.58 143.82	144.91 147.17	149.13 160.82	160.75 175.84	172.39 181.54	173.65 181.26	166.48 174.88	152.53 161.34	149.68 152.53	135.55 147.26	133.10 141.30
Soymeal Wpg Del.	455	455	455	479	479	482						

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