



# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 24, 2017

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

[www.hamsmarketing.ca](http://www.hamsmarketing.ca)

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

## Forward contract prices opened mostly lower this morning.

US negotiated cash markets were narrowly mixed to start the week, with packers willing to hold the line on their bids. Wholesale pork prices were slightly lower to start the week but remain within the steady trading range since the start of the month. With pork production expected to sustain an increase of about 3.5% over year ago levels for the next two months, the market is relying on pork demand to maintain the gains made in the last quarter of 2016. Consumers benefitted from lower prices at the retail level, but this came at the expense of lower margins for retailers that the USDA tracked to the lowest level in nearly 4 years. Lean hog futures are priced consistent with a normal seasonal trend over the next 6 months, but any trade related policies from the Trump Administration that puts export markets at risk will be received negatively by the market. Producers should build their forward position over the next two months to cover as much as half of their 2017 production in order to mitigate the impact of trade negotiations and possible disruptions on cash hog prices.

## Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading lower this morning on talk that the market is in overbought territory and is still harbouring a huge weather premium that may be a bit overdone. There are thoughts that Brazil production could offset any Argentine losses. But more than that, there is now talk suggesting that the Argentina weather premium is much too high to begin with. That is, the market will likely need to see massive losses in Argentina in order for actual supply tightness materialize. In other news, The Chinese Lunar New Year holiday starts on Friday so some softening demand and low activity from the region is likely to develop for the very short term.

**US corn futures opened lower this morning.** A bearish tone continues to shroud the market on a variety of factors mostly from global trade dynamics that are expected to impact US demand further out. For example, there is talk that a more inward-looking US administration could impact corn movement to Mexico (the second largest corn buyer in the world) while on the other side of the world, 2016 corn exports to China were down 33% from year ago and ethanol import taxes in China for US production are expected to go up to 30% from last year's 5%. The expected antagonistic tone of US foreign policy toward China is not expected to help matters.

US Slaughter	
440,000	Monday
430,000	Monday (year ago)

Daily Prices	
W. Corn Belt	\$63.76
National	\$67.61
Iowa/S. MN.	\$63.83
Signature 5	\$157.39
HyLife	\$158.78
Britco	\$155.13
Thunder Creek	\$157.39

4-Mo. Sig5 Fwd	\$158.47
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<b>BoC Rate (Noon) prev. day</b>
\$1.3289 CAD / \$0.7525 USD

Cash Prices Week Ending January 21, 2016	
Signature 3	151.90/68.90
Signature 4	155.02/70.32
Signature 5	153.46/69.61
h@ms Cash	151.96/68.93
HyLife	155.18/70.39
Britco	146.56/66.48
Thunder Creek	144.68/65.63

ISO Weans	\$53.41 US Avg.
Feeder Pigs	\$67.67 US Avg.
#1 Export Sows (+500lbs.)	\$33.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		145.87	145.59 146.65	146.82 157.33	159.27 173.15	169.71 178.84	173.00 179.41	166.45 174.83	154.66 163.23	151.88 154.73	138.42 150.12	135.98 144.17
Soymeal Wpg Delivered.	491	491	491	515	515	517						

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