



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 25, 2017

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

www.hamsmarketing.ca

Hog Prices: ↑ Soymeal: ↔

Corn: ↑ CDN Dollar: ↑

| US Slaughter | |
|--------------|-----------------------|
| 428,000 | Tuesday |
| 438,000 | Tuesday (year ago) |

| Daily Prices | |
|----------------|----------|
| W. Corn Belt | \$63.98 |
| National | \$68.29 |
| Iowa/S. MN. | \$63.76 |
| Signature 5 | \$156.84 |
| HyLife | \$159.82 |
| Britco | \$153.37 |
| Thunder Creek | \$156.84 |
| 4-Mo. Sig5 Fwd | \$161.13 |

| BoC Rate (Noon) prev. day | |
|-----------------------------|--|
| \$1.3152 CAD / \$0.7603 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) |

Forward contract prices opened mostly higher this morning.

US negotiated cash markets maintained their steady trend yesterday with this segment of the trade representing uncommitted hogs that can flow to the highest bidder. Packers benefitted from a solid gain in the ham and belly primal cuts which lifted the pork cut-out value to more than \$81.00 USD/cwt and the highest so far this year. While pork production is easing from the peak levels of one month ago, carcass weights have grown heavier to 215 lbs. and hog numbers are staying stubbornly high. February and April lean hog futures are holding no premium to the current cash market, suggesting that traders are less optimistic about the upcoming 3 months than they have been in past years. With the uncertainty associated with US trade policy, specifically as it applies to Mexico, forward contracting up to 1/3 of Mar – Aug production is prudent at current prices. The concern lies with the possibility of Mexico applying retaliatory tariffs to US pork in the event that the Trump administration significantly renegotiates or exits NAFTA. With Mexico consuming 8% of all US pork produced, any impact on this trading relationship would have price implications.

Canadian delivered soymeal prices opened even this morning.

US soybeans are starting the session off lower this morning along with talk that a very large long liquidation move could be looming if supply issues don't substantially materialize. Although the weather in South America (while improving) has seen some localized challenges, official production estimates are still residing among record levels. According to one private firm, Argentine production is currently estimated at 51 MMT (a 'top five' number on record) and Brazil is estimated at 103 MMT, the highest on record ever. As such, the market will need to see a concrete supply problem develop in order for the current weather premiums to be rationalized.

US corn futures opened higher this morning.

US corn futures are seeing some strength this morning despite a trade that is technically overbought for now and thoughts that demand is poised to slow down. There is talk that if the new US administration exits NAFTA, US corn demand could shift to S. America. Furthermore, there are thoughts that a delay from the EPA on articulating (or even supporting) further blend subsidy policy could additionally weaken demand for the crop (reminder: almost 1/3 of the US corn crop is used in ethanol and its by-products currently). While the trade has been trading relatively range bound for now, volatility is possible amid increasing uncertainty.

| Fixed Forward Range (at opening) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------------|-----|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 148.47 | 148.50 149.56 | 149.73 160.36 | 161.64 175.45 | 172.02 181.11 | 174.01 180.83 | 167.06 175.38 | 154.25 162.77 | 151.70 154.54 | 138.43 150.07 | 135.99 144.14 |
| Soymeal Wpg Delivered. | 491 | 491 | 491 | 515 | 515 | 517 | | | | | | |

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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