



# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 31, 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 prices moved higher as packers are confident they will have no trouble selling the increased production profitably. Carcass weights have grown to an average of 213 pounds which is the same as it was last year at this time. The pork carcass cut-out continues to make gains, but they are coming almost exclusively from the pork belly primal cut which has gained nearly 50% of its value over the last month. The components making up forward contract prices have all experienced an increase in price volatility over the last two months. There is more uncertainty in the future because of the significant increase in pork production and also because of the increase in pork exports. Adding to this, is greater volatility in exchange rates which are in part associated with the new direction that the Trump administration is taking with trade and foreign policy. With so many significant changes to market factors, price risk appears large and likely increases as one looks further out into the future. Producers looking for certainty in their hog production cash flow should consider building and maintaining a forward position on one third of their intended production, utilizing targets as a way to capitalize on the added volatility.

## Canadian delivered soymeal prices opened lower this morning.

US soybean futures continue to head lower and the Canadian dollar is at its highest level since October, pressuring Canadian meal prices lower. Fundamentally, nothing has really changed save for the idea that weather in South America may ultimately support large crop production. Of course, there will be regional concerns until harvest, and the market is very much sensitive to ongoing weather changes. However, unofficial production estimates keep rising and harvest has begun in the Mato Grosso region of Brazil (now estimated at 16.3%). Demand remains strong, but one analytics firm has suggested it would take a collapse in Argentine production to rationalize a move higher.

**US corn futures opened higher this morning.** US corn futures have turned around and are trading higher this morning after a series of bearish news that pressured the trade in recent history. There are a couple factors at play that include a massive shift in managed money portfolios that saw net short positions (51,000) 'flip over' to net long positions (21,000) last week and is considered one of the largest swings on record. It essentially means managed money has positioned themselves to profit if the price moves higher (as opposed to the earlier strategy that would see a profit if the trade moved lower) and could be an indication of general market sentiment. As well, weekly export inspections come in over 1 MMT compared to the 750-950,000 MT expected range, lending further support.

US Slaughter	
443,000	Monday
438,000	Monday (year ago)

Daily Prices	
W. Corn Belt	\$65.17
National	\$69.17
Iowa/S. MN.	\$65.22
Signature 5	\$158.58
HyLife	\$159.56
Britco	\$156.17
Thunder Creek	\$158.58

4-Mo. Sig5 Fwd	\$161.54
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<b>BoC Rate (Noon) prev. day</b>	
\$1.3093 CAD / \$0.7638 USD	

Cash Prices Week Ending January 28, 2017	
Signature 3	154.36/70.02
Signature 4	159.76/72.47
Signature 5	157.06/71.24
h@ms Cash	155.56/70.56
HyLife	159.05/72.14
Britco	152.93/69.37
Thunder Creek	153.46/69.61

ISO Weans	\$53.57 US Avg.
Feeder Pigs	\$69.78 US Avg.
#1 Export Sows (+500lbs.)	\$32.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			149.19 150.25	150.41 158.88	159.21 172.92	169.53 178.55	171.35 178.27	164.27 172.52	152.93 161.37	149.67 152.47	135.57 147.06	133.17 141.21
Soymeal Wpg Delivered.	466	466	466	491	491	501						

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