



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 01, 2017

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

www.hamsmarketing.ca

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

US Slaughter	
440,000	Tuesday
331,000	Tuesday (year ago)

Daily Prices	
W. Corn Belt	\$66.55
National	\$69.63
Iowa/S. MN.	\$66.57
Signature 5	\$159.99
HyLife	\$160.45
Britco	\$158.64
Thunder Creek	\$159.99

4-Mo. Sig5 Fwd	\$160.89
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BoC Rate (Noon) prev. day	\$1.3030 CAD / \$0.7675 USD
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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)

Forward contract prices opened lower this morning. US negotiated cash markets moved higher by close to \$1.50 USD/cwt in yesterday's trade. Packers have incentives to increase their bids and secure higher production levels as wholesale pork prices continue to make gains with pork bellies trading at prices 70% higher than two months ago. The longer term market outlook and the recent cash market trend are at odds with each other as cash markets are making gains not typical of this time of year, while there are a growing number of uncertain factors could negatively impact prices over the next 6 months. A larger than expected hog and cattle supply is expected to lead to more abundant meat in North America which will increase our reliance on export sales. However, increased exports could be at risk given greater volatility in exchange rates and uncertain trade policy, both of which can be associated with changes initiated by the Trump administration. Producers should look to secure a portion of their hog production cash flow by 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 higher this morning. US soybean futures are staging a recovery this morning and are trading higher as of this writing. With no major threats in South America and large crop production estimates (52 MMT for Argentina, up from 51 MMT; 103 MMT unchanged for Brazil), there are thoughts the recent strength is following from a typical influx of managed money cash that often appears at the beginning of the month. As well, there are thoughts that today's strength is also a function of a market correction following from Monday's large move lower. In the meantime, these daily moves have not yet established themselves into a longer term pattern although there is talk the market is poised lower for the mid term.

US corn futures opened higher this morning. Like beans, US corn futures are thought to be getting a boost from 'new cash' at the beginning of February and a bit of a corrective bounce following the recent pressure. Another near term bullish factor for US corn was news that the EU has lowered ending stocks to 9.95 MMT from 15.9 MMT last month on better than expected ethanol usage. While the EU as a block isn't a big importer of US corn, most news of unexpected disappearance has a supportive impact on the trade. Production from S. America remains relatively large coming in at 86-90 MMT for Brazil and 34-36.5 MMT for Argentina.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		148.06 149.12	149.28 157.92	158.91 172.70	169.28 178.35	170.14 178.07	163.56 171.83	152.39 160.84	149.38 152.19	135.23 146.76	132.82 140.89
Soymeal Wpg Delivered.	468	468	495	495	505						

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