



# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 06, 2017

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

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

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

US Slaughter	
2.327 mil.	Last Week
2.179 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$67.96
National	\$71.15
Iowa/S. MN.	\$68.18
Signature 5	\$163.11
HyLife	\$163.02
Britco	\$162.15
Thunder Creek	\$163.11
4-Mo. Sig5 Fwd	\$167.30
<b>BoC Rate (Noon) prev. day</b> \$1.3004 CAD / \$0.7690 USD	
Cash Prices Week Ending February 4, 2017	
Signature 3	159.45/72.33
Signature 4	161.66/73.33
Signature 5	160.55/72.83
h@ms Cash	159.05/72.14
HyLife	161.23/73.13
Britco	154.38/70.03
Thunder Creek	157.06/71.24
ISO Weans	\$54.01 US Avg.
Feeder Pigs	\$72.76 US Avg.
#1 Export Sows (+500lbs.) \$32.00/cwt. (Tagged)	

**Forward contract prices opened higher this morning.** US negotiated cash markets made steady gains over last week with only Friday's trade seeing softer bids. While slaughter is still expected to run about 3% larger than year ago levels, last week's numbers were up approximately 6% from the same week in 2016. Wholesale pork prices firmed over the week with pork bellies making the largest contribution to the gains by hitting US\$180/cwt, the highest level since the PEDv event that took prices to record highs. While belly prices have strong rationale for their current price level with tight supplies in cold storage, the pork belly primal only makes up about 16% of the carcass by weight; comparatively, hams and loins (which are in ample supply) both represent about 25% of the pork carcass. Summer month lean hog futures represent fair value in the context of current market fundamentals, but the price volatility is expected to remain high which could provide a better pricing opportunity. Producers looking to build their forward position for cash flow certainty should consider setting targets \$3-\$5 CAD/kg higher than current forward prices. This would match the highest prices for the summer of 2017 that we have experienced to date and secure profitable production.

**Canadian delivered soymeal prices opened higher this morning.** Good weather in S. America will likely see some of the weather premium dissipate. However, there appears to be some other support that could still come from South America. Brazil beans are estimated to be 40% sold and there is talk that port back ups are likely as logistics channels attempt to ensure February deliveries on many of the orders. This, plus the sales pace of the crop, has some already questioning if a demand and/or logistics premium will develop early (as opposed to a weather premium – and, perhaps all). There is still a lot of time until final S. American harvest numbers are known, although Buenos Aires Grains exchange is estimating 53.5 MMT for Argentina and Brazil estimates could reach 104+ MMT (i.e. a lot of beans).

**US corn futures opened higher this morning.** US corn futures are trading higher this morning but the overall trade is still being called 'range bound' for now; no drastic moves higher (or lower) are expected unless some major development materializes. In South America, big crops keep getting bigger – a private analytics firm has revised Brazilian production estimates up 2.0 MMT from their previous stance (2.5 MMT higher than USDA) to 89.0 MMT, while Argentina numbers came down slightly to 35.2 MMT. Brazil production is expected to be up significantly over last year although recall that production last year was down more than 25 MMT due to weather.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		153.76 154.85	154.99 163.50	163.20 177.02	173.60 182.69	173.14 182.41	166.51 174.78	153.90 162.36	151.48 154.30	135.53 147.11	133.10 141.21
Soymeal Wpg Delivered.	472	472	498	498	502	495					

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**WINNIPEG LIVESTOCK HWY #6 AND RD 236**

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**ACCEPTING: SOWS BOARS LIGHTS MARKET HOGS**