



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, February 09, 2017

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

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

US Slaughter	
441,000	Wednesday
439,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$71.43
National	\$72.81
Iowa/S. MN.	\$71.48
Signature 5	\$171.15
HyLife	\$168.73
Britco	\$172.00
Thunder Creek	\$171.15
4-Mo. Sig5 Fwd	\$171.46
BoC Rate (Noon) prev. day \$1.3157 CAD / \$0.7601 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.) \$29.00/cwt. (Tagged)	

Forward contract prices opened lower this morning. US negotiated cash markets were up more than \$1.00 USD/cwt in the Midwest yesterday as packers continue to compete for the limited supply of uncommitted hogs while operating margins remain profitable. Despite hog supply trending about +4% from year ago levels, prices of both hogs and pork have realized gains of about 8% over last year suggesting that demand has been exceptional. Export demand for pork has been critical to the performance of the hog market over the last two months with recent data pegging US December pork exports 18% over year ago levels. Even more impressive is the fact that all countries paid higher prices than in December 2015, suggesting a broad growth trend. Summer month lean hog futures broke into new contract highs yesterday, but were unable to keep the gains. From a technical analysis standpoint, the market is set up for weakness after being unable to maintain the new contract highs, which may have attracted new short selling by speculators contributing to this morning's weakness. Producers should continue to grow their spring/summer hedge positions on increments of 20% of their production on market gains of \$5.00 CAD/ckg.

Canadian delivered soymeal prices opened higher this morning. Brazil released official production estimates this morning which has so far pressured the trade; a 10.6% increase over last year (105.558 MMT) was noted. Also today, the USDA will release its supply and demand estimates in the February issue of the WASDE report that will be available at 11:00AM Central time. Trading volumes are expected to be light ahead of the report although the Brazil news and last minute pre-report positioning are likely driving direction at this time. In the meantime, pre-report average expectations are for ending stocks to come in at 410 million bu. (down from 420 million last month), that while representing a move lower, is still tied for the second highest volume since 2010.

US corn futures opened lower this morning. Like beans, the US corn trade is expected to be light ahead of the February WASDE report released later this morning. Also like beans, US corn futures are trading lower as of this writing, mainly due to the recent bearish fundamentals (including news that Brazil production is estimated to come in at 87.4 MMT, an all-time high), not to mention some uncertainty regarding trade policy with China (domestic ag. and US trade) and Mexico (US trade). Average ending stocks estimates are currently at 2.335 billion bu. and although the number would be a 20 million decrease from the previous month, it is still the highest on record going back to 2010.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		155.68 156.15	156.32 164.75	163.62 177.45	174.02 183.12	174.85 182.84	167.40 175.74	157.63 166.17	154.80 157.63	139.26 150.92	136.83 144.98
Soymeal Wpg Delivered.	478	478	506	506	509	502					

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