



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 10, 2017

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

www.hamsmarketing.ca

Hog Prices: ↓ Soymeal: ↑

Corn: ↑ CDN Dollar: ↑

| US Slaughter | |
|--------------|------------------------|
| 442,000 | Thursday |
| 432,000 | Thursday (year ago) |

| Daily Prices | |
|---------------|----------|
| W. Corn Belt | \$72.04 |
| National | \$73.45 |
| Iowa/S. MN. | \$72.04 |
| Signature 5 | \$172.43 |
| HyLife | \$170.09 |
| Britco | \$173.14 |
| Thunder Creek | \$172.43 |

| | |
|----------------|----------|
| 4-Mo. Sig5 Fwd | \$167.33 |
|----------------|----------|

| | |
|----------------------------------|-----------------------------|
| BoC Rate (Noon) prev. day | \$1.3141 CAD / \$0.7610 USD |
|----------------------------------|-----------------------------|

| Cash Prices Week Ending February 10, 2017 | |
|---|--------------|
| Signature 3 | 168.82/76.58 |
| Signature 4 | 168.23/76.31 |
| Signature 5 | 168.53/76.44 |
| h@ms Cash | 167.03/75.76 |
| HyLife | n/a |
| Britco | 160.66/72.87 |
| Thunder Creek | 160.55/72.83 |

| | |
|---------------------------|-----------------------|
| ISO Weans | \$54.01 US Avg. |
| Feeder Pigs | \$72.76 US Avg. |
| #1 Export Sows (+500lbs.) | \$29.00/cwt. (Tagged) |

Forward contract prices opened mostly lower this morning.

US cash markets are finishing the week with strong gain as negotiated prices continue to reflect competition among packers for uncommitted hogs. With wholesale pork prices trading at the highest level since late-July, packers still have strong incentives to maintain their high production rates. However, packer margins have been heavily dependent on the surge in pork belly prices which could be at risk of a sharp drop. Bacon processors and consumers will likely curb demand with prices nearly double what they were just 2 months ago. Lean hog futures turned lower in yesterday's trade, unable to sustain the gains made earlier in the week and/or push into new contract highs. However, if cash markets continue to climb in the short term, and there is no tangible escalation in protectionism from the Trump Administration, futures will likely resume their bullish trend. These factors are highly uncertain, and with solid evidence that pork production will maintain +3% over year ago levels, any hit to demand would be viewed negatively by the market. Producers should continue to grow their spring/summer hedge position on increments of 20% of their production on market gains of \$5.00 CAD/ckg.

Canadian delivered soymeal prices opened higher this morning.

The market turned lower immediately following the February WASDE report yesterday on news the USDA made absolutely no changes to any categories relative to January estimates. As such, ending stocks estimates remain unchanged at 420 million bu. which is actually 10 million bu. higher than pre-report estimates. South American numbers, while lower than pre report estimates, came in among record highs with Argentina and Brazil now pegged at 55.5 MMT and 104.0 MMT respectively. The pressure hasn't meant much for Canadian meal, however; futures markets have rebounded and spot prices are ~\$2 CAD/MT higher relative to yesterday's opening.

US corn futures opened higher this morning. The corn market was less certain yesterday and at first saw some support following the release of the WASDE report. Demand numbers from ethanol and feed categories pushed ending stocks lower by 35 million bu. However, with ending stocks still sitting comfortably above 2 billion bu. (2.230 bil. to be more precise), a lot of corn needs to disappear against a very uncertain ethanol and export demand future. Argentine output was raised against pre-report expectation to 36.5 MMT (unchanged from last month) but Brazil fell short of expectations, coming in at 86.5 MMT (also unchanged from January). By the end of the session, US corn futures were trading lower, a feature that has reversed itself this morning.

| Fixed Forward Range (at opening) | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 153.99 155.05 | 155.22 163.83 | 162.89 176.68 | 173.26 182.34 | 174.37 182.05 | 166.68 175.00 | 157.14 165.65 | 154.59 157.43 | 139.43 151.08 | 140.61 145.15 |
| Soymeal Wpg Delivered. | 481 | 481 | 508 | 508 | 512 | 505 | | | | | |

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WINNIPEG LIVESTOCK HWY #6 AND RD 236

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