



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 17, 2017

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

www.hamsmarketing.ca

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

US Slaughter	
408,000	Thursday
438,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$74.33
National	\$76.09
Iowa/S. MN.	\$74.34
Signature 5	\$177.14
HyLife	\$175.23
Britco	\$177.54
Thunder Creek	\$177.14
4-Mo. Sig5 Fwd	\$168.91
BoC Rate (Noon) prev. day \$1.3058 CAD / \$0.7658 USD	
Cash Prices Week Ending February 18, 2017	
Signature 3	175.52/79.62
Signature 4	174.07/78.96
Signature 5	174.79/79.28
h@ms Cash	173.29/78.60
HyLife	173.25/78.59
Britco	170.30/77.25
Thunder Creek	168.53/76.44
ISO Weans	\$54.07 US Avg.
Feeder Pigs	\$72.13 US Avg.
#1 Export Sows (+500lbs.)	\$25.00/cwt. (Tagged)

Forward contract prices opened mixed this morning. US cash markets are finishing this week firm with packers adding to their bids consistently over the week. Cash prices have climbed more than 30% of their value over the last 6 weeks despite hog supplies consistently exceeding year ago levels by about 3.5%. Packer operating margins turned lower in yesterday's trade after the carcass cut-out lost about \$1.00 USD/cwt, mainly due to pork belly prices falling \$4.00 USD/cwt from their recent highs. Lean hog futures traders are not optimistic about the cash market over the next two months as the April contract is discounted by nearly \$6.00 USD/cwt or about 8% from the current cash prices. The weak nearby futures price reflects a belief that gains in other cuts will not be enough to offset weakness that is expected in the pork belly primal cut. In addition, there is still a great deal of uncertainty of how US export markets will perform as the trade anxiously awaits a new tax/trade policy proposal by the Trump Administration that is expected in the next two weeks. Given this uncertainty, producers should consider growing their summer/fall hedge position on increments of 20% of their production with market gains of \$5.00 CAD/kg.

Canadian delivered soymeal prices opened lower this morning. US soybeans are trading lower to finish off the week amid talk that further downside could be eminent. A drop in Brazilian currency (the real) could initiate a wave of farmer selling while dry weather has accelerated the harvest pace. There are some weather patterns expected in Argentina, but they are considered to be beneficial to final yields at this point. Large production volumes from S. America combined with Chinese bird flu demand concerns, some weakening technical indicators, and talk of a managed money liquidation all point to a more bearish tone in the short to mid term. The market has yet to make that shift decisively, however, and a relatively strong CAD is also keeping Canadian meal prices comparatively high despite a recent drop of ~\$10 CAD/MT.

US corn futures opened lower this morning. Like beans, there is talk of a reversal in the US corn futures market, particularly as it has been trading at the upper end of the range and in an overbought condition. Even though Brazil production last year was significantly less than trend line, many in the ag press are highlighting the expectation this year that production coming from S. America will be 26 or 27 MMT higher than last year. To be sure, this will place corn production from the region amid record levels, but bear in mind that production was lower from Brazil alone last year by about the same tonnage.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		156.89 157.01	155.47 162.46	163.05 176.86	173.44 182.53	175.42 182.24	169.11 177.42	157.75 166.24	154.71 157.53	138.88 150.46	136.46 144.56
Soymeal Wpg Delivered.	478	478	505	505	509	502					

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance and **all pricing is subject to verification**. Any unauthorized distribution is strictly prohibited.

Hams Marketing Services will be closed Monday, February 20 for Louis Riel Day.
The HMO and Opening Price Report will likewise not be published.
Normal business resumes on Tuesday, February 21.