



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 24, 2017

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

www.hamsmarketing.ca

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

Forward contract prices opened mixed this morning. US negotiated cash markets dropped by approximately \$2.00 USD/cwt in trade yesterday, reacting to the collapse in pork belly prices earlier this week. Pork bellies fell close to US\$25/cwt on Wednesday which resulted in a \$4.00 drop to the pork cut-out value. While packer margins are still positive, the correction in the belly market had packers cut their bids for live hogs in order to cushion the blow to their operating margins. Yesterday, the USDA released its monthly Cold Storage Report which showed pork inventory down 16% from year ago levels. While supplies grew by 11% over the January report, this rate of growth was smaller than the normal growth trend over January of 14%, indicating that consumption is easily managing the increased production. Lean hog futures are finding some support at current price levels after having fallen \$4.00 USD/cwt over the previous 3 days. The increased pork production has placed more pressure on demand to clear the product from the market. The added uncertainty associated with the export market due to the possibility of new tax/trade policy from the Trump Administration has led to increased price volatility that is expected to be a feature of the market for the next several months. Producers should build their hedge position in pieces, adding protection equivalent to 20% of production on forward contract gains of \$5.00 CAD/pkg.

Canadian delivered soymeal prices opened lower this morning. Yesterday's outlook report from the USDA could be considered neutral to bearish for the US soybean trade. Final reported estimates were almost completely in line with pre-outlook estimates; acreage came in at 88.0 million acres versus an 88.2 million average ahead of the release, the highest estimate on record at this time. Residual acreage is expected to go to beans and could add to the bottom line if a normal growing season develops from large crops in South America. However, critics note that there is a lot of time between when acreage is planted and when it actually yields due to weather related uncertainties over the growing season.

US corn futures opened lower this morning. Speculative longs still remain active in the US corn futures trade as the outlook report was not nearly as bearish as in beans. Acreage estimated for the 2017/18 crop came in at 90.0 million acres, in line with the 90.8 million acre pre-report estimate, exactly equal with the estimate in two other years, and along the trend line. It is also not the highest acreage on record and in fact is in a three-way tie for fifth (February estimates). Weakening demand and large S. American crops could also offset any supply concerns. Right now, however, there are none. Ending stocks estimates using the new acreage and some demand softness is now pegged at 2.215 billion bu., slightly lower than the February WASDE report, but still the highest on record.

US Slaughter	
443,000	Thursday
388,000	Thursday (year ago)

Daily Prices	
W. Corn Belt	\$70.68
National	\$77.52
Iowa/S. MN.	\$70.74
Signature 5	\$175.10
HyLife	\$179.91
Britco	\$169.60
TCP/BP2	\$175.10

4-Mo. Sig5 Fwd	\$165.80
----------------	----------

BoC Rate (Noon) prev. day	
\$1.3109 CAD / \$0.7628 USD	

Cash Prices Week Ending February 25, 2017	
Signature 3	176.04/79.85
Signature 4	180.08/81.68
Signature 5	178.06/80.77
h@ms Cash	176.56/80.09
HyLife	n/a
Britco	176.77/80.18
TCP/BP2	174.79/79.28

ISO Weans	\$53.40 US Avg.
Feeder Pigs	\$72.11 US Avg.
#1 Export Sows (+500lbs.)	\$26.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			146.45 153.25	157.38 171.19	167.77 176.86	170.00 176.58	163.64 171.96	150.91 159.42	147.67 150.49	131.92 143.51	129.49 137.61
Soymeal Wpg Delivered.	464	464	492	492	497	489					

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.

WINNIPEG LIVESTOCK HWY #6 AND RD 236

CALL CRYSTAL FOR MORE INFO 204-235-2225

ACCEPTING: SOWS, BOARS, LIGHTS, MARKET HOGS