



Hog Margin Outlook

Meeting Your Marketing Needs

Monday, February 27, 2017

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

www.hamsmarketing.ca

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

US Slaughter	
2.280 mil.	Last Week
2.209 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$68.77
National	\$76.89
Iowa/S. MN.	\$68.71
Signature 5	\$172.01
HyLife	\$177.45
Britco	\$164.67
TCP/BP2	\$172.01
4-Mo. Sig5 Fwd	\$169.76
BoC Rate (Noon) prev. day \$1.3104 CAD / \$0.7631 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	178.63/81.03
Britco	176.77/80.18
TCP/BP2	174.79/79.28
ISO Weans	\$52.38 US Avg.
Feeder Pigs	\$74.78 US Avg.
#1 Export Sows (+500lbs.) \$26.00/cwt. (Tagged)	

Forward contract prices opened higher this morning. US cash markets moved sharply lower late last week, dropping about \$5.00 USD/cwt or about 7% of their value. Packers had trouble maintaining a firm trend in their hog costs after the pork cut-out dropped nearly \$5.00 USD/cwt midweek due to a collapse in pork belly prices. Since then, weakness in the primal ham and rib cuts have contributed to further weakness while loins and the other primal cut have experienced modest gains. Exports so far this year are running significantly ahead of year ago levels, but recent weekly data suggests that slowdown occurred over the last two weeks, which probably contributed to the recent weakness in the cash market. Lean hog futures are finding support after last week's sell-off, with the nearby contracts discounted to heavily from the current cash market. Current April futures imply that cash prices will fall by \$9.00 USD/cwt over the next 6 weeks, more than double the normal decline over this time period. The USDA is forecasting US pork production to be up 5% from 2016, while demand factors remain highly uncertain. Producers that have yet to take price protection in the summer and fall timeframe should consider covering 20% of their production on a rally of \$2 CAD/kg and set targets on an additional 20% at a price level \$10 CAD/kg higher than current forward prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are starting the week off lower amid thoughts that some official numbers may be understating production estimates. Currently, traders are calling Brazilian production to come in higher by about 3-4 MMT than the USDA estimate and there is at least one private firm suggesting that the current 88 million acre planting estimate for 2017/18 in the US should be closer (or over) 89 million acres. If the private analysts are indeed correct, supply increases (non-threatening weather assumed) should apply some pressure in both short and mid terms. Narrowing crush margins in China are expected to curb demand in the short term as well. However, the Canadian dollar is offsetting and pushing meal prices higher to start the week.

US corn futures opened lower this morning. Chinese import volumes decreased in January and the import tax hike is being cited as rationale for the decrease. Mostly favourable weather in South America is also pressuring the trade that could see and increase in corn acreage from Brazil. More supplies from the region could mean they will not experience the same shortage that developed last year and a more seasonal demand shift (from the US to S. America) would likely develop meaning more pressure on US corn prices in the short term.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			151.50 158.31	160.96 174.78	171.35 180.45	173.78 180.17	167.46 175.78	154.61 163.12	151.56 154.39	135.34 146.94	132.91 141.04
Soymeal Wpg Delivered.	467	467	495	495	499	493					

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