



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 28, 2017

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

www.hamsmarketing.ca

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

Forward contract prices opened mostly higher this morning.

US cash markets were lower to start the week as packers dropped their bids for the uncommitted supply by about \$5.00 USD/cwt over the last week, erasing most of the gains accumulated over the month of February. A weaker pork cut-out likely contributed to the decline with packers attempting to protect their operating margins from further downside. Yesterday's weakness originated in a further decline in pork bellies with the USDA reporting that prices of the primal cut dropped \$13 USD/cwt (down 20%) from highs that were put in last week. Lean hog futures, as well as all financial markets, are anticipating this evening's Joint Session of Congress where President Trump is expected to set out his policy initiatives, including more details on his tax and trade policy. Live-stock markets would likely view any commitment to a Border Adjustment Tax (BAT), or any other tax on imports, as negative to the medium and long term prices. Producers without price protection in the last half of 2017 should consider covering up to 25% of their hog price risk in order to mitigate the possible negative implications of a significant shift in trade policy. The recent recovery of lean hog futures and drop in the Canadian Dollar to the lowest level in 5 weeks provides a good pricing opportunity given the uncertain outlook.

Canadian delivered soymeal prices opened mixed this morning.

Technically, the soybean futures trade has been poised for a recovery bounce, following the recent weakness, and the bounce appears to have developed this morning aided by news that a supply pipeline in Brazil is slowing somewhat. A major highway that usually sees about 800 trucks per day at this time in the season has been slowed to about 100 trucks per day due to infrastructure related concerns (muddy due to recent rainfall in a normally paved 30 km stretch). However, harvest is ahead at 34.3% (26% 5-yr avg.) and production is estimated near 109 MMT at the upper end suggesting any infrastructure or labour-action related support will likely be limited to the short term.

US corn futures opened higher this morning. US corn futures are seeing some support on ideas that corn could ultimately see some supply tightness in the mid term. Safrinha (second) crop corn is behind planting schedule coming in at 57.3% compared to 73% last year. As well, it is now almost a widely accepted idea that any 'additional' acres in the US will ultimately go to beans in the 2017/18 season. Acreage in the US is pegged at 90 million acres, a 3-way tie for fifth in acreage (high, but not a record) and the soybean/corn ratio has been as high as 2.58/.59 suggesting more rationale for planting beans.

US Slaughter	
441,000	Monday
404,000	Monday (year ago)

Daily Prices	
W. Corn Belt	\$68.33
National	\$76.20
Iowa/S. MN.	\$68.36
Signature 5	\$170.65
HyLife	\$175.78
Britco	\$163.79
TCP/BP2	\$170.65

4-Mo. Sig5 Fwd	\$169.88
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BoC Rate (Noon) prev. day	
\$1.3101 CAD / \$0.7633 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.)	\$28.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			150.56 157.41	161.22 175.14	171.69 180.85	174.27 180.69	168.02 176.41	155.55 164.13	151.92 154.76	135.92 147.57	133.48 141.64
Soymeal Wpg Delivered.	476	476	489	489	487	487					

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WINNIPEG LIVESTOCK HWY #6 AND RD 236

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