



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, April 07, 2017

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

www.hamsmarketing.ca

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

US Slaughter	
442,000	Thursday
382,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$59.78
National	\$67.02
Iowa/S. MN.	\$59.67
Signature 5	\$153.22
HyLife	\$158.18
Britco	\$146.33
TCP/BP2	\$153.22
4-Mo. Sig5 Fwd	\$ 164.55
BoC Rate (Noon) prev. day \$1.3409 CAD / \$0.7458 USD	
Cash Prices Week Ending April 8, 2017	
Signature 3	148.73/67.46
Signature 4	161.13/73.09
Signature 5	154.93/70.28
h@ms Cash	153.43/69.60
HyLife	n/a
Britco	152.70/69.26
TCP/BP2	160.54/72.82
ISO Weans	\$38.37 US Avg.
Feeder Pigs	\$67.20 US Avg.
#1 Export Sows (+500lbs.)	\$45.00/cwt. (Tagged)

Forward contract prices opened higher this morning. US negotiated cash markets dropped under \$60 USD/cwt in yesterday's trade, taking cash hog prices to their lowest level since January. Hog supplies are abundant and supporting a weekday slaughter of more than 440,000 hogs, similar to levels experienced over the last 3 months. Packers have little incentive to increase their bids while wholesale pork prices are on a downward trend and are already trading at their lowest level since early December. Lean hog futures suggest that the market will develop some seasonal support over the next two months, but the summer highs are likely to be nearly 20% lower than year ago levels due to the massive increase in pork production. Export markets continue to perform very well with the latest monthly numbers from February showing that the major destinations for US pork - Mexico and Japan - were up 25% and 15% respectively; China posted a decline of nearly 10% from year ago levels. Producers looking to add price protection to their existing forward position for the latter half of 2017 should use targets to capitalize on price rallies of \$2-\$4 CAD/ckg.

Canadian delivered soymeal prices opened lower this morning.

Despite residing in an oversold condition for the past couple sessions, there is talk that the market has no rationale for a turn around. Supply side fundamentals remain bearish as big South American crops get bigger. Last month, the USDA raised Brazil production estimates up 4 MMT to 108 MMT; there are thoughts another 2 MMT adjustment higher is on the way for next Tuesday's WASDE report. As well, global stocks of beans are expected to come in at a record high 84.4 MMT (compared to 76.6 MMT last year). The extent to which the USDA final numbers come in relative to pre-market estimates will likely drive market movements on Tuesday, if any.

US corn futures opened lower this morning.

Like beans, large South American crops will add to the supply side in next Tuesday's WASDE report. What is less known, is the size of the crop on the way from the US. Last month's Prospective Plantings report set the benchmark for expected corn acreage which, while relatively high, is not the highest on record. As well, there are a lot of weather events that could transpire between planting (which hasn't substantially started) and harvest which is still many months away. Regardless, early estimates are starting to trickle out and another 2+ billion bu. in ending stocks could be realized this year assuming normal weather. If yield falls only 5% from trend line, however, ending stocks will be at record lows. For Tuesday, world stocks from pre-report estimates are 222.2 MMT on average, a new record.

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #5		151.78 165.89	162.39 171.67	165.29 171.79	159.20 167.70	150.66 159.34	147.57 150.46	133.15 145.00	130.68 138.97	135.15 143.45	144.05 147.25
Soymeal Wpg Delivered.	438	438	448	448	457	457					

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