



Hog Margin Outlook

Meeting Your Marketing Needs

Monday, December 11, 2017

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

www.hamsmarketing.ca

Hog Prices: $\downarrow\uparrow$ Soymeal: \downarrow
Corn: \downarrow CDN Dollar: \downarrow

Forward contract prices opened mixed to higher this morning.

US cash markets have been trading narrowly mixed over the past week as hog supplies continue to come in below expectations. Last week's slaughter was estimated by the USDA at 2.537 million hogs, similar to the previous week and about 3.6% larger than year ago levels. While this number is close to what the last USDA inventory survey implied, November hog slaughter was actually lower than year ago levels, representing a very large discrepancy between expectations and actual production. On the demand side, weekly pork exports have been underperforming levels seen last year with recent export volumes down to China and South Korea. Lean hog futures hit new contract highs early last week, but have softened over the last several days on weakness in technical indicators. Producers should set targets for the spring/summer timeframe at \$3-\$5 CAD/kg higher than current prices for as much as 1/3 of their intended production. This would secure profitable production near the benchmark level of \$200 CAD per hog amid growing uncertainty in export pork demand.

Canadian delivered soymeal prices opened lower this morning.

While the funds moved to a net-long position last week (the first time since September and the biggest shift in positioning since July), there is a bearish tone lingering in the marketplace. Two factors contributing to the weakness include an improving weather situation in Argentina (the weather story in South America has been positive one day and negative the next...) and thoughts that the USDA may downgrade export projections for meal in tomorrow's WASDE report. On that note, supply side indicators are expected to continue the trend of being large (and amid record levels), so demand side numbers will be closely watched for ideas on direction.

US corn futures opened lower this morning. Weakness in wheat has spilled over into the US corn trade that has been unable to shake the bearish tone for quite some time. Thoughts of new money entering commodities at the beginning of the month combined with corn trading amid new lows (thereby providing incentive for interim support) provided a very short-term boost to the bottom, but exceptional US production and meagre export sales have been pressuring since September. Tomorrow's WASDE report will provide the market with new information to digest, but there are thoughts ending stocks estimates could eclipse 2.5 billion bu. which would likely keep the pressure on for now.

US Slaughter

2.537 mil. Last Week
2.448 mil. Year Ago

Daily Prices

W. Corn Belt	\$59.15
National	\$66.69
Iowa/S. MN.	\$59.37
Signature 5	\$145.83
HyLife (prev. day)	\$150.74
Britco (prev. day)	\$139.64
TCP/BP2	\$145.83

BoC Rate (Noon) prev. day
\$1.2860 CAD / \$0.7776 USD

Cash Prices Week Ending December 09, 2017

Signature 3	137.99/62.59
Signature 4	149.20/67.68
Signature 5	143.60/65.14
h@ms Cash	142.10/64.46
HyLife	148.64/67.42
Britco	137.20/62.23
TCP/BP2	141.94/64.38

Year-to-Date Top-Up Estimate

\$4.05/kg (call for details)

ISO Weans \$57.07 US Avg.

Feeder Pigs \$68.84 US Avg.

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		317.28 148.73	149.31 152.39	152.74 160.54	160.29 160.41	166.53 179.08	176.94 188.79	179.99 184.89	178.99 185.00	155.29 169.51	152.53 156.34
Soymeal Wpg Delivered.	455	457	463	463	466	466					

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Thursday, December 14
Keystone Centre - Brandon, MB
10:00 AM to 4:30 PM

Exhibitor Booths
Luncheon (\$12/meal)
Pork Quality Competition