



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 20, 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 cash regional cash markets were lower again in yesterday's trade with hog slaughter expected to peak for the year this week. Yesterday's slaughter was estimated at 468,000 hogs which is 21,000 hogs larger than the slaughter on this day in 2016, implying that the three new packing plants that have been ramping up production this fall are near capacity. Pork demand is increasingly being questioned as this increase in production needs to be cleared from the market in order to avoid large price declines. The pork carcass cut-out is valued near the same level as it was last year, but individual pork cuts are contributing in different ways; pork bellies are nearly 20% higher and ham values are 20% lower than year-ago. Lean hog futures fell sharply in yesterday's trade with all contracts experiencing higher volatility over the last several weeks. Friday's release of the USDA Hogs and Pigs report is likely going to contribute further to this volatility as the market receives the latest information on inventory.

Canadian delivered soymeal prices opened lower this morning. US soybean futures continue to trade lower and there is no shortage of opinions on direction heading into the new year. To some, thoughts of improving weather in Argentina (or, more accurately, the absence of a significant weather threat) and ideas that competition to meal coming from DDGs are pressuring factors in the short term. Others are suggesting that the funds, after exiting positions ahead of the holiday week, will entertain a strategy of adding long positions in beans (on thoughts of increasing demand and potential unforeseen weather issues) after the new year. Both perspectives have merit and the market will simply have to wait and see in the absence of any substantive fundamental change. In the meantime, beans are trading amid lows last seen in September.

US corn futures opened higher this morning. Light volumes and a bearish tone appear to be the features of a trade that has been residing amid the lows over the past couple sessions. The March contract is at its lowest level since the contract opened and is in no 'danger' of rallying anytime soon. Now, there are thoughts that support could enter the market if the funds start to exit short positions (i.e. buy back contracts) ahead of the new year, but the degree of support appears limited at this time and there are rumors the funds are in no rush to make the move anyway. Processing reductions over the holidays (ethanol) and thoughts of weather related logistics issues (upper Midwest) are also pressuring this morning.

US Slaughter	
468,000	Tuesday
447,000	Year Ago
Daily Prices	
W. Corn Belt	\$55.24
National	\$64.59
Iowa/S. MN.	\$55.26
Signature 5	\$139.10
HyLife (prev. day)	\$146.24
Britco (prev. day)	\$130.23
TCP/BP2	\$139.10
BoC Rate (Noon) prev. day	
\$1.2886 CAD / \$0.7760 USD	
Cash Prices Week Ending December 16, 2017	
Signature 3	135.88/61.63
Signature 4	151.37/68.66
Signature 5	143.62/65.15
h@ms Cash	142.12/64.47
HyLife	149.43/67.78
Britco	138.32/62.74
TCP/BP2	143.60/65.14
Year-to-Date Top-Up Estimate	
\$4.12/ckg (call for details)	
ISO Weans	\$63.23 US Avg.
Feeder Pigs	\$73.37 US Avg.

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		145.00 147.08	147.66 150.74	151.85 159.66	159.29 159.40	160.72 176.61	174.47 186.32	178.48 183.39	177.21 183.23	154.36 168.60	151.88 155.69
Soymeal Wpg Delivered.	438	441	447	447	451	451					

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Headingley Main Office	h@ms Holiday Schedule	Winnipeg Livestock (WLS)
Closed	Monday December 25	Closed
Closed	Tuesday, December 26	Closed
Closed	Monday, January 1	Closed
Special Note - Risk Management will be closed one hour early (at 11:30AM) on Friday, December 22		