



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 09, 2018

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

www.hamsmarketing.ca

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

| US Slaughter | |
|---|------------------|
| 463,000 | Monday |
| 420,000 | Year Ago |
| Daily Prices | |
| W. Corn Belt | \$65.82 |
| National | \$66.96 |
| Iowa/S. MN. | \$65.95 |
| Signature 5 | \$148.75 |
| HyLife (prev. day) | \$146.16 |
| Britco (prev. day) | \$149.83 |
| TCP/BP2 | \$148.75 |
| BoC Rate (Noon) prev. day | |
| \$1.2422 CAD / \$.8050 USD | |
| Cash Prices Week Ending January 06, 2018 | |
| Signature 3 | 138.24/62.71 |
| Signature 4 | 143.59/65.13 |
| Signature 5 | 140.91/63.92 |
| h@ms Cash | 139.41/63.24 |
| HyLife | 143.68/65.17 |
| Britco | 132.25/59.99 |
| TCP/BP2 | 137.51/62.37 |
| 2017 Top-Up Estimate | |
| \$4.22/ckg (call for details) | |
| ISO Weans | \$ 69.74 US Avg. |
| Feeder Pigs | \$ 77.56 US Avg. |

Forward contract prices opened mixed to higher this morning.

US cash hog markets gained more than a dollar (US) in yesterday's trade, continuing the strongest rally out of the Christmas holiday that the market has seen in years. Aggressive packer bids, looking to secure extra supplies, has added more than 10% of value over the last week. However, packer operating margins have shrunk due to wholesale pork prices remaining steady. US pork exports in November showed modest gains with South Korea and Columbia making the strongest contribution, while Mexico was down compared to year ago levels. Sustained demand will be critical in order for cash and futures markets to remain strong. Lean hog futures have moderated from the highs seen yesterday, but have still maintained some of the strength that developed at the opening on Monday - even following weaker export numbers from Mexico. The market is optimistic that domestic demand could improve amid an improving US economy and, despite the above, steady export demand that includes atypical variety meats as well as the primal cuts. Spring and summer (and longer term) forward contract prices currently represent fair value in the face of some trade related uncertainties on the horizon.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading lower. Generally favourable weather in Brazil weather is offsetting some of the dryness concerns in Argentina, but no official updates to production estimates have yet materialized. The market will have to wait until Friday for that and also to see if the USDA will adjust South American estimates in the January WASDE report. There are thoughts Brazil could come in with the second highest production number on record. A relatively poor US export pace combined with high stocks has resulted in a bearish tone ahead of Friday's reports. However, recall that the WASDE report frequently surprises the market.

US corn futures opened higher this morning. Unlike beans, US corn futures are trading higher ahead of Friday's USDA reports, but like beans, a slower export pace and large stocks are shrouding the market with a bearish tone. Support is currently thought to be a function of pre-report(s) positioning and there is talk that ending stocks for US corn could eclipse 2.5 billion bu. which would likely pressure the market further. About the only 'bullish' development is talk that second crop (Safrinha) corn acres could be reduced as farmers switch to the beans.

| Fixed Forward Range (at opening) | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
|-------------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 158.16 158.50 | 157.96 165.54 | 165.35 165.46 | 165.62 181.08 | 178.99 190.51 | 180.02 184.76 | 177.61 183.42 | 154.26 168.01 | 152.18 155.88 |
| Soymeal Wpg/S. Man Delivered | 424 | 424 | 424 | 432 | 432 | 436 | | | | |

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Risk Management will be closed Monday, January 15 for Martin Luther King Day in the USA.

The HMO and Opening Price reports will likewise not be published.

The main office will remain open - normal business resumes on Tuesday, January 16.