



# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 10, 2018

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

[www.hamsmarketing.ca](http://www.hamsmarketing.ca)

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

**Forward contract prices opened mixed this morning.** US cash markets continued their higher trend and gained nearly \$2.00 USD/cwt in yesterday's trade. Packers have been aggressive in securing the extra hogs with yesterday's USDA estimate coming in at or near the largest single day slaughter of 467,000 hogs. While packers have been willing to pay significantly more for hogs, the value of the pork that they are selling has not kept pace, and instead has gained only \$0.75/cwt over the last week at the same time cash hog bids are up \$8.50/cwt or nearly 15% of their value. Lean hog futures traders are hesitant to reflect all of the gains experienced in the cash market recently with the spring and summer contracts up approximately \$1.00/cwt over levels seen last week. However, the gains in the cash market suggest the industry is experiencing a shift in the average packer margin which, if sustained for several weeks, should eventually be represented in higher lean hog futures values.

**Canadian delivered soymeal prices opened lower this morning.** While the market knows the USDA can publish surprises on report day, the consensus is for bearish numbers to come in this Friday. Plentiful supply and a lagging export pace have been cited as potential reasons for adjusting export numbers lower on the 12<sup>th</sup>. US soybean exports to China are behind by 100 million bushels compared to last year; export inspections are down by 14% generally. Meanwhile, Brazil has out-competed the US and shipped 73 million bushels to China, apparently filling the US 'gap'. If Friday's reports are indeed bearish, it means producers likely have some time to analyse forward prices and determine a purchase strategy although profit taking is possible after a bearish USDA report. Canadian meal prices are currently at lows last seen near harvest 2017.

**US corn futures opened higher this morning.** Whether or not US corn futures are up or down relative to the previous session, they have, recently, been residing among the lows and are trading below \$3.50 USD/bu (nearby contract). Like beans, there is talk the corn export pace is also lagging, not to mention ideas that ending stocks could come in over 2.5 billion bu. which would be an exceptional amount of US corn to contend with. Export inspections are currently behind last year's pace by 36% and overall exports for the 2017/18 marketing year are currently projected to come in 16% lower than the 2016/17 marketing year. One paper suggested it is unlikely for exports to meet USDA projections at this time, but there is a lot of time, weather, and geopolitics between now and the end of the marketing year too.

US Slaughter	
467,000	Tuesday
425,000	Year Ago
Daily Prices	
W. Corn Belt	\$67.87
National	\$67.91
Iowa/S. MN.	\$67.89
Signature 5	\$152.53
HyLife (prev. day)	\$148.48
Britco (prev. day)	\$154.63
TCP/BP2	\$152.53
<b>BoC Rate (Noon) prev. day</b>	
\$1.2454 CAD / \$0.8030 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.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		158.76 159.09	157.25 164.83	164.87 164.98	166.27 180.40	178.31 189.86	179.95 184.71	177.53 183.36	155.06 168.85	153.75 156.72	136.45 147.69	135.44 139.19
Soymeal Wpg/S. Man Delivered	421	421	421	428	428	432						

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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.