

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 18, 2018

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

www.hamsmarketing.ca

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

US Slaughter

444,000	Wednesday
443,000	Year Ago

Daily Prices

W. Corn Belt	\$69.62
National	\$73.57
Iowa/S. MN.	\$69.63
Signature 5	\$160.41
HyLife (prev. day)	\$160.81
Britco (prev. day)	\$158.23
TCP/BP2	\$160.41

BoC Rate (Noon) prev. day
\$1.2419 CAD / \$0.8048 USD

Cash Prices Week Ending January 13, 2018

Signature 3	154.62/70.14
Signature 4	150.03/68.05
Signature 5	152.33/69.10
h@ms Cash	150.83/68.42
HyLife	150.82/68.41
Britco	142.16/64.48
TCP/BP2	140.91/63.92

2017 Top-Up Estimate

\$4.22/ckg (call for details)

ISO Weans \$74.91 US Avg.

Feeder Pigs \$82.20 US Avg.

Forward contract prices opened mixed this morning. US cash markets have been a little softer in the last few days as packers have been dropping their cash bids slightly in an attempt to improve operating margins amid modest gains in wholesale pork prices. Yesterday's slaughter was reported to be 444,000 hogs, down about 20,000 from 'normal' levels, which suggests that winter weather impacted marketings particularly in the Eastern Cornbelt. Lean hog futures have recovered most of the losses that were seen last week with most contracts now trading within \$0.50 USD/cwt of contract highs. Traders continue to be cautious particularly with the 4th quarter contracts, however, as pork and beef supplies are anticipated to be very large in this timeframe. Large supplies would make the market more reliant on improved export volumes which appear to be increasingly uncertain. Producers should start to cover as much as one third of their May – October production at current prices to mitigate (in large part) the downside risk with trade uncertainty.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. There is talk that 'money flow', as opposed to a change in fundamentals, is a factor in the recent support. In fact, it appears the fundamentals could be improving; potential crop stress associated with the dry weather may only impact 10-15% of the Argentine crop and there is more talk that Brazilian production estimates will likely be raised. Historically, prices tend to soften heading into the S. American harvest and the market will be watching closely to see if the pattern returns. There is further talk that demand for US beans could wane and a 500 million bu. ending stocks estimate is possible (i.e. 30 million higher than the current estimate). Recent softness in the Canadian dollar has added to the price paid in CAD for meal.

US corn futures opened higher this morning. While short covering and fund repositioning has been cited for some of the corn trade's support recently, there is other news surfacing that domestic basis is starting to pick up on slow movements due to the extremely cold weather in areas of the US. Corn futures have also broken some technical barriers (50-day moving average), but there is no sign of a mass repositioning among the managed money accounts. The funds are currently net-short 231,000 contracts and there is much speculation on when an exit will develop. In the meantime, the market is well supplied although there is some talk corn acres could be reduced for the second crop in Brazil.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		157.98 158.31	155.01 162.58	162.34 162.45	164.56 178.65	176.57 188.08	179.84 184.60	177.60 183.43	154.98 168.78	151.78 155.46	134.18 145.33	133.18 136.90
Soymeal Wpg/S. Man Delivered	437	437	437	446	446	449						

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STRENGTH IN NUMBERS

