

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 23, 2018

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

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

US Slaughter	
405,000	Monday
440,000	Year Ago
Daily Prices	
W. Corn Belt	\$69.64
National	\$73.57
Iowa/S. MN.	\$69.66
Signature 5	\$160.85
HyLife (prev. day)	\$161.32
Britco (prev. day)	\$158.72
TCP/BP2	\$160.85
BoC Rate (Noon) prev. day	
\$1.2458 CAD / \$.8027 USD	
Cash Prices Week Ending January 20, 2018	
Signature 3	158.73/72.00
Signature 4	159.93/72.54
Signature 5	159.33/72.27
h@ms Cash	157.83/71.59
HyLife	159.94/72.55
Britco	156.89/71.16
TCP/BP2	152.33/69.10
2017 Top-Up	
\$4.22/ckg (call for details)	
ISO Weans	\$73.03 US Avg.
Feeder Pigs	\$84.99 US Avg.

Forward contract prices opened mostly lower this morning. US cash markets recovered some value lost in last week's trade from negotiated prices that gained about 50 cents USD/lb. on a dressed weight basis. Having more impact on the market was a significant improvement in the pork carcass cut-out which gained nearly \$0.80/cwt in yesterday's trade. Gains in the ham and belly primal cuts took the cut-out value to its highest level since early December, but loins are still struggling to make any gains and are down about 12% from year ago levels, largely due to increased competition from chicken and beef. Over the last week, lean hog futures have traded in a sideways trend, with a trading range of less than \$1.00/cwt, in all but the February contract. The market is awaiting news from this week's NAFTA negotiations with most analysts suggesting that there is a high likelihood that President Trump will trigger the 6 month exit process if progress is not seen by the end of the week. Producers should consider covering up to 1/3 of their May – Dec production at current prices in an effort to mitigate the effects of trade disruptions.

Canadian delivered soymeal prices opened even this morning. US soybean futures broke through some technical levels to continue the upward trend established last week. But the real story is in Argentina where poor soil moisture and meagre rainfall is becoming an increasing concern. The USDA has pegged production from the country at 56 MMT but there is increasing talk that 52-54 MMT is more likely if the current weather situation is sustained; one private firm even hinted that <50 MMT is not impossible. There is a weather premium in beans and a production uncertainty for meal combined with thoughts that international customers could turn to the USA for supplies if Argentina (who is a major exporter) becomes less than reliable.

US corn futures opened lower this morning. The pull-back in US corn futures is currently a function of the large stocks in the US coupled with weak or flat demand. US corn exports are 199 million bu. lower than last year and while ethanol is still expected to utilize a little more than 1/3rd of the corn crop, gasoline consumption is projected to be flat in 2018 (relative to 2017). As well, ethanol is experiencing a slower export pace than year-ago; the energy sector will likely not provide enough of a boost to break through the current trading range. There is talk of reduced acreage in the US for 2018 and that farmers may switch to soybean acres next year which would likely provide some support if true. Support isn't going to materialize from demand currently.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			152.36 159.93	159.91 160.02	162.90 177.01	174.92 186.45	178.32 183.07	176.39 182.22	154.36 168.15	151.78 155.48	135.16 146.36	134.15 137.89
Soymeal Wpg/S. Man Delivered	448	448	448	456	456	459						

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STRENGTH IN NUMBERS

