Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 25, 2018

For details call: (204)235-2237 or visit www.hamsmarketing.ca

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

US Slaughter	
465,000	Wednesday
427,000	Year Ago

Daily Prices	
W. Corn Belt	$69.50
National	$74.27
Iowa/S. MN.	$69.50
Signature 5	$159.95
HyLife (prev. day)	$162.78
Britco (prev. day)	$156.86
TCP/BP2	$159.95

BoC Rate (Noon) *prev. day*
$1.2341 CAD / $0.8103 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 lower this morning. *US cash markets made solid gains in yesterday's trade, averaging more than $0.80 USD/cwt higher across all regions. Daily hog slaughter has been inconsistent for the last two weeks; poor winter weather impacted the production of Eastern plants early in this timeframe, but there is no obvious explanation for the recent deficit in numbers. Recent gains in wholesale pork prices were lost in yesterday's trade with all but pork bellies trading lower, resulting in a $1.00/cwt drop in the pork carcass cut-out. Lean hog futures remain in a 'holding pattern' with traders unwilling to let optimistic demand alter their position while the NAFTA negotiations are ongoing which could disrupt normal seasonal trends. Typically, the December contract trades at a $15 USD/cwt discount to the July contract, but the current spread is 33% wider than normal, reflecting the uncertainty in trade negotiations and inconsistent 'reports' surrounding the 6-month notice clause that is required to pull out of NAFTA. The May – December forward contract prices represent fair value given the market uncertainty, but in the event NAFTA negotiations are successful, the market will likely see better pricing opportunities.*

Canadian delivered soymeal prices opened higher this morning. *Yesterday, the US Treasury secretary stated that a weak USD is a benefit for US trade in the short term. Shortly after that, the US dollar fell almost 1%, and to its lowest level since 2014. The significance for the grains and oilseeds trade is that it effectively made US exports cheaper in international markets and sparked some buying activity. As well, there is talk the funds were active in short covering yesterday, adding to the support. Argentine weather continues to be a supportive factor and there are expectations production estimates will be lowered, but also that Brazil could offset potential losses. US soybean futures contracts are trading higher as of this writing.*

US corn futures opened higher this morning*. US corn futures, like beans, were also subject to a wave of short covering yesterday that added additional support to a market that broke some technical indicators and saw the near-by contract close at over $3.56 USD/bu. The fundamental picture will likely keep the upside in check, but while the lower USD did help with international competitiveness, there is still a lot of corn that needs to clear the market before any demand related rally intensifies. Unless, of course, a sustained, lower US dollar provides the incentive for customers to consistently purchase large volumes of US corn.*

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			151.92 159.39	159.29 159.40	161.50 175.42	173.36 184.72	177.10 181.80	175.15 180.91	153.22 166.84	150.90 154.55	134.35 145.43	133.35 137.05
Soymeal Wpg/S. Man Delivered	458	458	458	462	462	464						

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