

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 31, 2018

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

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

Forward contract prices opened mixed this morning. US cash markets were steady in yesterday's trade with most participants willing to take a wait-and-see approach to their buying/marketing strategy. Packers are running at full capacity with yesterday's slaughter reported at 467,000 hogs, 24,000 hogs more than year ago or about 5% larger than last year's levels. Hog slaughter has lagged the expectations of the latest Hogs and Pigs report (December), but it does not appear that producers are holding back as weights are only marginally higher than levels seen last year at this time. Pork bellies continue to be the strongest primal cut making up the cut-out value, but cold storage inventory showed that supplies were more than double levels seen in January 2017 which could limit upside potential. Lean hog futures have been under pressure for the last week, dropping approximately \$2.00 USD/cwt. The market is currently factoring no increase in prices over the next 3 months with an average sized spring/summer rally of about 15%. Producers should consider setting targets for the May – August timeframe for 30% of their production at \$5 -\$6 CAD/kg higher than current prices, and \$7/kg higher for the September – December timeframe.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures have backed-off from the recent run-up and are trading lower this morning. At least two firms have been advising their customers to consider selling in order to take advantage of the recent price movements. Taken another way, however, it could mean that these same firms do not expect the support to last. South American weather has indeed been supportive but official, revised production numbers won't be released until the February WASDE report next Thursday. The relatively high Canadian dollar has moderated the impact of meal prices north of the border but, prices are high and are coming in at levels last seen in July last year.

US corn futures opened lower this morning. Like beans, the market momentum has switched lower amid further talk that the trade is a bit overbought at this time. Ongoing weather concerns south of the equator (too much rain in Brazil and not enough in Argentina) and talk that farmers may switch to other crops are providing rationale for the support. However, there is still a lot of corn in the marketplace that needs to be cleared. There were no major economic policy hints in President Trump's State of the Union address last night which has maintained pressure on the USD; as such, the Canadian dollar remains relatively high and is trading higher this morning.

US Slaughter	
467,000	Tuesday
443,000	Year Ago
Daily Prices	
W. Corn Belt	\$69.27
National	\$74.23
Iowa/S. MN.	\$69.27
Signature 5	\$159.48
HyLife (prev. day)	\$161.16
Britco (prev. day)	\$156.20
TCP/BP2	\$159.48
BoC Rate (Noon) prev. day	
\$1.2328 CAD / \$0.8112 USD	
Cash Prices Week Ending January 27, 2018	
Signature 3	158.01/71.67
Signature 4	162.88/73.88
Signature 5	160.45/72.78
h@ms Cash	158.95/72.10
HyLife	161.55/73.28
Britco	158.66/71.97
TCP/BP2	159.33/72.27
2017 Top-Up	
\$4.22/ckg (call for details)	
ISO Weans	\$71.26 US Avg.
Feeder Pigs	\$86.29 US Avg.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			145.41 152.87	152.62 152.73	156.33 170.20	168.15 179.48	172.18 176.87	170.28 176.03	150.08 163.67	148.16 151.82	132.61 143.69	131.61 135.31
Soymeal Wpg/S. Man Delivered	447	447	447	451	451	454						

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