



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 06, 2018

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

www.hamsmarketing.ca

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

Forward contract prices opened lower this morning. US cash markets started the week lower with the leading Midwestern regions reporting a \$0.50 USD/cwt decline. Pork bellies have been the strongest of all the primal cuts until yesterday's trade when the belly primal showed weakness by dropping close to 5% of its value. Meat demand remains strong with broad indicators like the Restaurant Performance Index hitting its highest level in nearly 3 years. However, lean hog futures continue to be cautious with any gains, especially amid the uncertainty caused by the latest drop in the stock market. Prices for all the 2018 contracts dropped more than \$1.00 USD/cwt in early morning trade with the April contract (highest volume) losing more than \$2.00/cwt. While the hog market is seeing more influence from stock and other commodity markets, producers should stay disciplined with their hedging plan, covering as much as 1/3 of their May – Sept production at prices \$5 - \$7 CAD/kg higher than current levels.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher even though there are expectations for a 3.5% adjustment higher to US soybean stocks in Thursday's WASDE report and the weather picture in Argentina could improve. Depending on the publication/model, rain is expected in Argentina either starting later this week or not until Saturday. In either case, the rain will be welcomed in the dry regions. There are thoughts the USDA will revise the Argentine production estimate lower by ~2 MMT or more, but that Brazil's production estimate will be raised. Today's strength is thought to be a function of some pre-report positioning as well as some managed money repositioning in the wake of the recent volatility in the equities markets.

US corn futures opened higher this morning. Fundamentally, the trade is looking forward to Thursday's WASDE report which should provide some fresh news to the market. US corn ending stocks are not expected to be adjusted by much although the recent uptick in export markets could support the demand side of the balance sheet. There appears to be more pre-report commentary for South America; Brazil production is estimated to be ~2.25 MMT lower than the current USDA estimate and while first crop harvest is on pace, second crop planting is behind by about 50%. Argentina production is currently estimated to come in ~2 MMT lower than current USDA estimates.

| US Slaughter | |
|---|-----------------|
| 466,000 | Monday |
| 437,000 | Year Ago |
| Daily Prices | |
| W. Corn Belt | \$72.48 |
| National | \$74.82 |
| Iowa/S. MN. | \$72.44 |
| Signature 5 | \$165.81 |
| HyLife (prev. day) | \$163.02 |
| Britco (prev. day) | \$165.38 |
| TCP/BP2 | \$165.81 |
| BoC Rate (Noon) prev. day | |
| \$1.2483 CAD / \$.8011 USD | |
| Cash Prices Week Ending February 03, 2018 | |
| Signature 3 | 158.44/71.87 |
| Signature 4 | 161.82/73.40 |
| Signature 5 | 160.13/72.63 |
| h@ms Cash | 158.63/71.95 |
| HyLife | 160.17/72.90 |
| Britco | 157.34/71.37 |
| TCP/BP2 | 160.45/72.78 |
| 2017 Top-Up | |
| \$4.22/ckg (call for details) | |
| ISO Weans | \$71.62 US Avg. |
| Feeder Pigs | \$88.61 US Avg. |

| Fixed Forward Range (at opening) | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------------|-----|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 153.02 | 152.83 152.94 | 156.50 170.68 | 168.58 180.15 | 172.21 176.98 | 170.57 176.42 | 151.68 165.52 | 149.51 153.23 | 134.03 145.30 | 133.01 136.78 |
| Soymeal Wpg/S. Man Delivered | 449 | 449 | 453 | 453 | 455 | 455 | | | | | |

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| 2018 District Meetings | Date | Time | Location |
|------------------------------|------------------------|------------|--|
| Swift Current | Tuesday, February 27 | 12:00 Noon | Days Inn-905 North Service Road East, Swift Current |
| Saskatoon | Wednesday, February 28 | 12:00 Noon | Comfort Suites - 203 Bill Hunter Ave., Saskatoon |
| H.B. Marketing & MB West | Thursday, March 1 | 2:00 P.M. | Glesby Centre -11-2nd St. NW, Portage La Prairie |
| Manitoba East | Friday, March 2 | 12:00 Noon | Smitty's Restaurant - Clear Spring Centre, Steinbach |
| Heartland Marketing District | Thursday, March 8 | 2:00 P.M. | Starbuck Community Hall - 25 Main Street, Starbuck |