

# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, September 12, 2016

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

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

**Forward contract prices opened lower this morning.** US packers are expected to start the week with stronger cash bids as they attempt to capture some of the best operating margins that they have seen all year. Last week, cash prices dropped to their lowest level since mid-January, while wholesale pork prices gained about 5% of their value, putting estimated packer operating margins at better than \$45/hog. The reduced slaughter resulting from Labour Day (and the temporary plant closure at Monmouth, Illinois) left packers firmly in control of cash bids, but an expanded production schedule this week should start to clean up the excess supply. Lean hog futures reflect fair value as the discount from the current cash market is in line with historical levels. However, if packers get behind on their production schedules, as compared to the available supply, cash prices could suffer even deeper losses than what the forward contract prices already imply. Producers without protection in the first 3 months of 2017 should look to cover up to half of their production in this timeframe.

**Canadian delivered soymeal prices opened higher this morning.** Export demand has ventured into record setting territory that could be reflected by way of an adjustment to the demand side numbers in today's WASDE report. The interplay between a demand side adjustment and yield expectations will be closely watched. In the meantime, expectations that wet weather will impact early harvest activity has edged the meal trade higher on thoughts that a slower harvest pace could delay crushing activity. US meal values have jumped between \$5 and \$15 USD/MT depending on the region. A lower CAD this morning has exacerbated the recent US move higher for Canadian end users of US meal.

**US corn futures opened mixed this morning.** The big news for ag markets will be the release of the WASDE and Crop Production reports this morning. Trading is expected to be light ahead of the reports that will be released in a couple hours' time. For the most part, the corn trade is expected to remain under pressure as large crops are expected regardless of yield downgrades. However, there are some outliers; some yield estimates are coming in between 164 and 171 bpa. Generally speaking, a 3 bpa adjustment lower from the previous month would be considered large and result in a 172.5 bpa; 171 bpa or lower, however, should not be considered impossible. A rising US dollar is also pressuring corn as US competitiveness decreases with the strengthening US dollar.

US Slaughter	
2.084 mil.	Last Week
2.049 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$58.80
National	\$65.56
Iowa/S. MN.	\$58.84
Signature 3	\$140.47
HyLife	\$148.96
TCP/Britco	\$140.25
Sig 3 4-Month Fwd.	\$121.32
<b>BoC Rate (Noon) prev. day</b> \$1.3033 CAD / \$0.7673 USD	
Cash Prices Week Ending September 10, 2016	
Signature 3	140.22/63.60
h@ms Cash	138.72/62.92
HyLife	149.84/67.97
TCP/Britco	144.10/65.36
ISO Weans	\$20.98 US Avg.
Feeder Pigs	\$30.32 US Avg.
#1 Export Sows (+500lbs.) \$42.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		134.14 135.34	109.34 125.52	111.14 117.13	115.05 123.45	128.25 129.45	131.49 132.69	135.69 147.25	150.76 163.86	160.29 171.02	167.91 169.23
Maple Leaf Sig. #5		135.85 136.68	115.52 129.98	115.40 120.99	118.91 124.93	129.18 132.49	134.38 135.56	138.09 147.86	149.72 164.61	161.21 170.24	168.78 169.96
Soymeal Wpg Del.	472	466	465	465	462	465					
Corn	Local delivered price available on request										

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