



# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, December 06, 2016

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

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

US Slaughter	
443,000	Monday
441,000	Monday (year ago)

Daily Prices	
W. Corn Belt	\$47.84
National	\$53.49
Iowa/S. MN.	\$47.79
Signature 5	\$121.20
HyLife	\$125.19
TCP/Britco	\$116.00
4-Mo. Sig5 Fwd	\$130.82

<b>BoC Rate (Noon) prev. day</b>	\$1.3272 CAD / \$0.7535 USD
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Cash Prices Week Ending December 3, 2016	
Signature 3	109.03/49.46
Signature 4	122.70/55.66
Signature 5	115.86/52.55
h@ms Cash	114.36/51.87
HyLife	122.26/55.46
TCP/Britco	102.50/46.49

ISO Weans	\$37.82 US Avg.
Feeder Pigs	\$38.52 US Avg.
#1 Export Sows (+500lbs.)	\$22.00/cwt. (Tagged)

**Forward contract prices opened higher this morning.** US cash markets started this week steady to slightly higher as packers are motivated to secure any of the uncommitted hogs amid such high profitability. Current packer operating margins are estimated at near \$55/hog and they continue an uninterrupted streak of 3 months where margins have been greater than \$30/hog. Over this timeframe, wholesale pork prices have not dipped below \$72/cwt, and have been supported in large part by the ham primal which continues to trade 20% higher than year ago prices. The wholesale market benefitted from exceptional exports to Mexico (in October) which will be confirmed by a report released by the USDA later today. Lean hog futures are trading higher this morning, adding value to the 2017 contracts that are already trading at a larger-than-normal premium to the cash market for this time of year. In fact, the February contract is trading at \$6.00/cwt higher than the current CME Index price which is approximately twice as large as the 5-year average premium. Given the outlook for continued heavy supplies, and uncertainty about export volumes due to the strong US Dollar, producers should consider setting targets \$4 -\$6/ckg higher than current prices on up to half of their production for the Jan – Feb timeframe.

**Canadian delivered soymeal prices opened higher this morning.** Support for US soybean futures is coming from a variety of factors and 'new' developments. While Brazil's weather is not an issue (yet), there are some concerns starting to surface in Argentina on thoughts that a prolonged dry spell could develop into moisture problems after planting wraps up. As well, palm oil remains supportive to the complex as stocks are at six year lows in Malaysia. Chinese soybean futures also continue to support and exports have come in higher than the upper end of expectations (1.910 MMT compared to the 1.5-1.9 MMT range). There will likely be no adjustments to the supply side in December's WASDE report but the trade is expecting some adjustments to the demand side.

**US corn futures opened higher this morning.** Residual strength in energy and commodity markets is providing underlying rationale for a move higher, but the real new development is the weather in South America. Trade publications are announcing that the 'weather market' has finally arrived, and the concerns in Argentina over dryness are providing more justification for the recent support. Analysts are quick to point out that there is no yield danger yet, and there still is a lot of corn in the world currently. However, the market is quick to add newly developing factors into the pricing schedules, and South American weather has not yet been entirely 'priced in'.

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		110.95 118.14	123.64 129.27	128.43 132.75	136.51 148.41	153.61 168.80	165.33 174.54	168.50 174.94	163.06 172.67	147.85 156.64	144.99 147.85
Soymeal Wpg Del.	475	476	481	481	500	500					

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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