



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 12, 2017

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 cash markets gained nearly \$2.00 USD/cwt in some reporting regions yesterday which maintains a streak of higher cash prices that has resulted in a gain of \$6.00 USD/cwt (or 12%) over the last week. At the same time, wholesale pork prices have been somewhat erratic, but in general, have exhibited a weaker trend over the last two weeks showing a pork cut-out loss of approximately \$2.00 USD/cwt. The net result of these two correlated markets moving in opposite directions has been a sharp decline in estimated packer margins, dropping close to \$20 USD/hog in value over the last two weeks. Lean hog futures appear relatively unconcerned by this development, with the February and April contracts trading at or near their highest level since July. Lean hog futures have benefitted from a surge in activity from large speculators that have identified this market as an opportunity as part of their larger portfolio of investments. Some US analysts suggest that there is greater potential for inflation from Trump policies which could be contributing to the recent increase in activity. However, the market's ability to sustain, or rally, from the current price level is contingent on continued growth in export markets.

Canadian delivered soymeal prices opened lower this morning.

All eyes will be on the January WASDE report that will be released today mid-trade (11:00 AM, Central time). Generally, the expectations are for large supplies and an 'adequately supplied' marketplace; in other words, there are no significant expectations for bullish surprises (although they could materialize, nothing is certain). In the meantime, the table at right shows the pre-market report expectations for some key indicators.

US corn futures opened lower this morning. Like beans, US

corn futures traders will be looking for fresh, official supply and demand news from the USDA in the January WASDE report that will be released later this morning. Also like beans, the market expects the USDA to confirm large supplies currently in the marketplace, and generally, for a neutral to bearish reaction to the report. However, absolutely nothing is guaranteed.

US Slaughter	
439,000	Wednesday
435,000	Wednesday (year ago)

Daily Prices	
W. Corn Belt	\$61.18
National	\$63.02
Iowa/S. MN.	\$61.43
Signature 5	\$148.20
HyLife	\$146.49
Britco	\$148.86
Thunder Creek	\$148.20
4-Mo. Sig5 Fwd	\$155.61

BoC Rate (Noon) prev. day
\$1.3232 CAD / \$0.7557 USD

Cash Prices Week Ending January 07, 2016	
Signature 3	131.95/59.85
Signature 4	142.02/64.42
Signature 5	136.98/62.13
h@ms Cash	135.48/61.45
HyLife	141.11/64.01
Britco	128.51/58.29
Thunder Creek	136.57/61.95

ISO Weans \$55.77 US Avg.
Feeder Pigs \$65.33 US Avg.
#1 Export Sows (+500lbs.)
\$27.00/cwt. (Tagged)

Summary of Analyst Estimates (January WASDE)					
	2016/17	WASDE	Range	AVG	Dec.
Soy-beans	Yield (bpa)	TBA	51.6-53.5	52.7	52.5
	Production	TBA	4.262-4.440 bil	4.374 bil	4.361 bil
	Carryout	TBA	380-510 mil	465 mil	480 mil
Corn	Yield (bpa)	TBA	172.3-176.5	175.1	175.3
	Production	TBA	14.99-15.32 bil	15.20 bil	15.23 bil
	Carryout	TBA	1.900-2.800 bil	2.398 bil	2.403 bil

Source:

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		145.78 146.02	145.73 147.98	149.92 161.30	160.09 175.07	171.65 180.73	172.30 180.45	165.16 173.48	151.89 160.40	148.54 151.36	134.48 146.05	132.06 140.16
Soymeal Wpg Del.	450	450	450	473	473	476						

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