



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, February 02, 2017

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 climbed higher in yesterday's trade with the negotiated price in most regions reporting more than \$1.00 USD/cwt increase. While estimated operating margins are still running at better than \$30 USD/hog, declines in ham and loin primal cuts over the last week may cause packers to be more cautious with their cash bids. Pork belly prices have recently surged to the highest level since the summer of 2015 and have offset the recent weakness experienced by other cuts. However, the boom and bust cycle of the bacon based primal cut does little to instill confidence in packers that margins will stay strong. Lean hog futures suggest that the cash market will do no better than maintain current prices levels over the next two months, and then experience a typical spring rally from April to June. Analysts are fairly confident that production will run about 4% over year ago levels, but there is far less certainty on consumption, as major factors such as export demand and supplies of competing meats threaten market dynamics in the medium term.

Canadian delivered soymeal prices opened lower this morning. US soybean (and meal) futures recently have been trading in a mixed and choppy pattern, lacking direction as news appears supportive in one report and pressuring in the next. Export sales for the 'week ending' February 26 (export sales reflect the tally to previous Thursday) came in near average expectations and were considered neutral to slightly bearish. On the other hand, some supportive factors include talk that solid crush margins in China could lead to more demand for raw material from the region. Also supportive are reports that early yields from Brazil (47-49 bpa), while higher than last year, came in below the 50-53 bpa expectation.

US corn futures opened lower this morning. US corn futures are trading lower this morning as some activity that supported the market yesterday (fund buying) has apparently run its course for now. As well, the market saw some support from the EU as it cut its ending stocks estimates to 9.95 MMT from the previous 15.9 MMT estimate in a market that has seen not much else other than fundamentally bearish news in recent history. Today, the export sales report has come in at 1.143 MMT, down 17% from previous week and in line with the 700,000 – 1.3 MMT range of expectations, but are up 21% for the four-week average.

US Slaughter	
440,000	Wednesday
401,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$67.75
National	\$70.07
Iowa/S. MN.	\$67.87
Signature 5	\$162.67
HyLife	\$160.70
Britco	\$162.47
Thunder Creek	\$162.67
4-Mo. Sig5 Fwd	\$160.11
BoC Rate (Noon) prev. day \$1.3089 CAD / \$0.7640 USD	
Cash Prices Week Ending January 28, 2017	
Signature 3	154.36/70.02
Signature 4	159.76/72.47
Signature 5	157.06/71.24
h@ms Cash	155.56/70.56
HyLife	159.05/72.14
Britco	152.93/69.37
Thunder Creek	153.46/69.61
ISO Weans	\$53.57 US Avg.
Feeder Pigs	\$69.78 US Avg.
#1 Export Sows (+500lbs.)	\$32.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		147.49 148.55	148.71 157.09	158.07 171.80	168.39 177.42	170.05 177.14	163.24 171.51	151.53 159.99	148.84 151.65	134.22 145.77	131.80 139.89
Soymeal Wpg Delivered.	467	467	494	494	505						

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