



# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 07, 2017

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

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Hog Prices: ↑ Soymeal: ↔

Corn: ↑ CDN Dollar: ↓

## US Slaughter

443,000	Monday
349,000	Monday (year ago)

## Daily Prices

W. Corn Belt	\$69.63
National	\$71.43
Iowa/S. MN.	\$69.75

Signature 5	\$166.86
HyLife	\$163.48
Britco	\$167.33
Thunder Creek	\$166.86

4-Mo. Sig5 Fwd	\$170.65
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**BoC Rate (Noon) prev. day**  
\$1.3117CAD / \$0.7624 USD

## Cash Prices Week Ending February 4, 2017

Signature 3	159.45/72.33
Signature 4	161.66/73.33
Signature 5	160.55/72.83
h@ms Cash	159.05/72.14
HyLife	161.23/73.13
Britco	154.38/70.03
Thunder Creek	157.06/71.24

ISO Weans	\$54.01 US Avg.
Feeder Pigs	\$72.76 US Avg.
#1 Export Sows (+500lbs.)	\$29.00/cwt. (Tagged)

**Forward contract prices opened higher this morning.** US cash markets started the week sharply higher with negotiated prices in the Midwest gaining more than \$1.50 USD/cwt. Packers are content to compete for the uncommitted hogs, especially as we are approaching a period where two new plants will be vying for these supplies. Packers are still profitable at current prices, as the pork carcass cut-out continues to make gains, providing estimated operating margins of more than \$30 USD/hog. However, the gains in the pork cut-out have come almost exclusively from pork bellies which have seen significant media attention recently. This primal cut typically experiences high price volatility and has a tendency for a sharp pull back within two months of a sharp rally. Yesterday, summer month lean hog futures came within \$1.00 USD/cwt of contract highs, with traders willing to take prices higher as the cash market fundamentals remain strong. Producers should look to build their forward position for the summer timeframe adding incremental protection of 20% of production on gains of \$5.00 CAD/pkg.

## Canadian delivered soymeal prices opened even this morning.

US soybean futures are trading higher amid a mixed and choppy trade that continues to focus (for the most part) on South American crop developments. Supportive factors (today) include talk that too much rain in northern Brazil could be an issue. However, there are also thoughts that Chinese end users will increase buying activity now that the Lunar New Year holidays are over. The degree to which Chinese buyers will focus on South America vs. US suppliers remains to be seen, but with more than 40% of the Brazil crop sold and an increase in port traffic of 97% over last year, there are peripheral indicators suggesting Brazil (and soon, Argentina) is/are likely the seasonally preferred supplier(s).

**US corn futures opened higher this morning.** Chinese corn markets rallied on news that policy geared more toward soybeans and dairy, and away from primary grains (corn), as well as the desire to draw down large state stocks pushed corn contracts to 18 month highs on the Dalian exchange. As well, US export inspections came in above the high range of expectations (1.0 MMT) at 1.113 MMT, giving the US trade a bit of support. In other news, and on the other hand, there is talk the Brazilian agriculture minister will start negotiations with Mexico which is seen as negative for US ag markets generally. All eyes will be on Thursday's WASDE report for fresh fundamental news.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		157.32 158.38	158.55 167.30	166.16 180.05	176.61 185.74	176.75 185.46	169.81 178.18	157.14 165.69	153.19 156.01	137.10 148.69	134.67 142.79
Soymeal Wpg Delivered.	472	472	498	498	502	495					

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WINNIPEG LIVESTOCK  
HWY #6 AND RD 236

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