



# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, February 23, 2017

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

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

US Slaughter	
443,000	Wednesday
417,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$72.89
National	\$77.61
Iowa/S. MN.	\$72.95
Signature 5	\$178.93
HyLife	\$179.62
Britco	\$175.94
TCP/BP2	\$178.93
4-Mo. Sig5 Fwd	\$162.11
<b>BoC Rate (Noon) prev. day</b> \$1.3187 CAD / \$0.7583 USD	
Cash Prices Week Ending February 18, 2017	
Signature 3	175.52/79.62
Signature 4	174.07/78.96
Signature 5	174.79/79.28
h@ms Cash	173.29/78.60
HyLife	173.25/78.59
Britco	170.30/77.25
TCP/BP2	168.53/76.44
ISO Weans	\$53.40 US Avg.
Feeder Pigs	\$72.11 US Avg.
#1 Export Sows (+500lbs.) \$26.00/cwt. (Tagged)	

**Forward contract prices opened lower this morning.** US cash prices were lower again in yesterday's trade following the weaker trend set earlier in the week. Hog supplies are abundant as they have been for several months, but packers may be pulling back on their cash bids as they attempt to protect their operating margins. Yesterday, cash belly prices dropped about US\$24.00/cwt or the equivalent of 13% of their value. This had the effect of weakening the value of the pork carcass cut-out by more than \$4.00 and dropped the benchmark price under \$80 USD/cwt, its lowest level since January 23. Lean hog futures responded swiftly to the news of the collapse in cash belly prices, dropping approximately \$2.00 USD/cwt from all spring and summer contracts. The sharp decline was not unexpected, as historic price spikes in pork bellies have proven unsustainable in the past and usually result in a collapse shortly after the spike. Futures are down sharply again this morning taking forward contract prices to the lowest level in about a month and near levels not seen since the start of 2017. Producers should take a cautious approach to forward contracting, building their forward hedge position incrementally, taking advantage of the recent high volatility.

**Canadian delivered soymeal prices opened lower this morning.**

The soybean market is trading near the middle of the established range, but trending lower this morning on thoughts that big crops are getting bigger in South America and also that the information coming out of today's Outlook Forum by the USDA will show a large production potential in the USA this year. A private firm has raised its production estimate for Brazil up from 105.3 MMT to 108 MMT (compared to the USDA's 104 MMT) and in any case, either number would represent a new record and more than likely offset any production deficiencies from Argentina (if they materialize). Pre-Outlook Forum estimates are pegging acreage between 86.5 to 92.5 million acres.

**US corn futures opened lower this morning.**

Competition from Brazil and Argentina, large production from the region and thoughts that Mexico's gaze may be drifting south for supplies are all weighing on the US corn trade this morning. Brazil's export numbers are estimated to come in near 28 MMT this year compared to 14 MMT exported last year (however, remember that Brazil had dismal production and early sales that left the country short on corn in 2016). The USDA's Outlook Forum will release estimates later today and pre-forum estimates are suggesting planted acreage in the US could come in between 89.0 and 92.5 million acres.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		146.59	145.36 152.17	156.35 170.19	166.76 175.86	169.08 175.58	162.41 170.73	150.85 159.37	148.45 151.29	132.91 144.57	130.48 138.64
Soymeal Wpg Delivered.	466	466	494	494	499	490					

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