



# Hog Margin Outlook

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Thursday, May 04, 2017

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

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

## Forward contract prices opened mostly higher this morning.

US cash markets continue to see steady strength and all reporting regions were consistently higher for the third session in a row this week. ISM and WCB regions posted gains of \$2.81 USD/cwt on average and the National region, while not as strong, was came in \$0.38 USD higher, reflecting the overall tone in the marketplace. Strength in cattle markets helped to support. So too is the expectation that seasonal declines in supply will, or are, taking place at precisely the same time packer margins remain solid. Lean hog futures have also been trading higher and the nearby contracts are higher as of this writing. A limit-up day in cattle markets helped to support yesterday. Also supportive are thoughts of improving seasonal demand from domestic markets as well as the export market where analysts cite a shift in Chinese policy that has now focuses on meeting consumer demand via imports, rather than self sufficiency. While this shift will help in the short to mid-term, administrators in China are thought to shift back to self sufficiency again with a focus on increasing pig farm capacity over 60% from current levels by 2020. In the meantime, there is opportunity for producers who have not yet done so to lock in price certainty and profitable production out to February of 2018.

## Canadian delivered soymeal prices opened even this morning.

While the futures market has turned lower than previous session this morning, Canadian buyers of US meal still are experiencing a price structure that has yet to reflect the US dynamic. Much, if not most, of this price 'stickiness' is due to the relatively low value of the Canadian dollar. Low energy markets (oil), an uncertain housing market, and some trade announcements from the US that are viewed to impact Canada's economy negatively are cited as the main reasons. However, there is talk of farmer reluctance to sell in amid low prices that is also seen as supportive. Regardless, the fundamentals still show a lot of beans are on the way; the WASDE report will be released on the 10<sup>th</sup> next week.

## US corn futures opened lower this morning.

Weakness in other crops has helped to pressure as well as thoughts that the weather outlook will improve. It is expected that US corn farmers will make a lot of progress that may or may not show up in next Monday's Crop Progress report. Also pressuring is news that China will release some more (old) reserves of state corn that is expected to be auctioned on Friday. While this event won't have a huge impact on direct US exports to China (China is not a huge buyer of US corn relatively speaking), the net result will mean more corn in an oversupplied marketplace.

US Slaughter	
442,000	Wednesday
430,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$62.59
National	\$63.19
Iowa/S. MN.	\$62.63
Signature 5	\$155.58
HyLife (prev. day)	\$152.59
Britco (prev. day)	\$157.09
TCP/BP2	\$155.58
4-Mo. Sig5 Fwd	\$ 175.97
<b>BoC Rate (Noon) prev. day</b> \$1.3714 CAD / \$0.7292 USD	
Cash Prices Week Ending April 29, 2017	
Signature 3	135.25/61.35
Signature 4	149.57/67.84
Signature 5	142.41/64.60
h@ms Cash	140.91/63.92
HyLife	147.79/67.04
Britco	133.80/60.69
TCP/BP2	143.36/65.03
ISO Weans	\$27.38 US Avg.
Feeder Pigs	\$55.96 US Avg.
#1 Export Sows (+500lbs.)	\$49.00 /cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #5		174.86 184.39	179.69 186.36	171.95 180.67	162.01 170.94	158.74 161.70	141.35 153.51	138.81 147.32	145.40 153.90	154.51 157.79
Soymeal Wpg Delivered.	465	468	468	471	471	485				

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