



# Hog Margin Outlook

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Friday, May 05, 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.

For a couple days this week, the careful reader may have noticed that hog slaughter was lower relative to last year's slaughter rates, seemingly contradicting the idea of more supply in the marketplace. While this event probably helped to support cash markets in the very immediate term, the lower slaughter was not indicative of a larger trend. Rather, unspecified production disruptions have been cited for the reduced kill. In any event, the cash market is 1) poised for a seasonal recovery, and 2) benefiting from good packer margins that should see competition for hogs remain for now. Meanwhile, lean hog futures markets are trading in a choppy pattern, but are maintaining the higher trend seen all this week. Peripheral support from high beef prices and strong cattle markets have helped lean hog futures post gains session over session recently along with ideas of strong demand from the export markets (March showed double digit growth over last year). Moreover, the domestic demand increases that are expected from grilling/BBQ season, baseball season, and the Fourth of July holiday to name a few (at the same time of seasonally reduced supply) are all providing a boost to summer futures values that were recently trading at a discount to the average cash market history. Today, producers can lock in a 17%+ summer rally in CAD not to mention a profitable fourth quarter at current forward contract offerings.

## Canadian delivered soymeal prices opened even this morning.

The supply that is on the way has been described as 'burdensome' elsewhere, but a strong demand profile and farmer holding in Brazil have helped to support; cumulative US sales are at 102.8% relative to the USDA 5-year average. Indeed, US soybean futures markets are trading higher to finish the week as the supply pipeline is not as flush as it could be when demand is strong. As well, some harvest challenges in Argentina (the largest global exporter of meal, where harvest is 20% behind the normal pace) is providing underlying support to the meal trade. However, a sharply higher CAD has helped to offset.

## US corn futures opened higher this morning.

China successfully sold 2.19 MMT out of 2.5MMT of old state corn stockpiles (2012-13 harvest) that is thought to have been purchased by feed and ethanol companies. While the US does not sell a lot of corn to China in relative terms, any extra corn in the global marketplace was seen as negative yesterday. As well a window of planting opportunity also appears to be opening for US corn farmers heading into next week adding pressure. However, US corn futures are trading higher to finish off the week after giving up most of the week's gains yesterday when the news was less bearish.

US Slaughter	
441,000	Thursday
432,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$64.72
National	\$64.37
Iowa/S. MN.	\$64.75
Signature 5	\$160.03
HyLife (prev. day)	\$155.37
Britco (prev. day)	\$162.75
TCP/BP2	\$160.03
4-Mo. Sig5 Fwd	\$ 175.97
<b>BoC Rate (Noon) prev. day</b> \$1.3743 CAD / \$0.7276 USD	
Cash Prices Week Ending May 6, 2017	
Signature 3	151.54/68.74
Signature 4	152.35/69.11
Signature 5	151.95/68.92
h@ms Cash	150.45/68.24
HyLife	n/a
Britco	137.31/62.28
TCP/BP2	142.41/64.60
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		175.51 185.02	179.61 186.27	172.39 181.09	162.15 171.06	158.95 161.91	140.93 153.07	138.39 146.89	146.33 154.85	155.47 158.76
Soymeal Wpg Delivered.	465	468	468	471	471	485				

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