



# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 12, 2017

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

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

## Forward contract prices opened mostly lower this morning.

US cash markets are finishing the week with gains of another 10%, adding to gains of the previous 2 weeks to result in a cash price increase of 30%. Hog numbers have moderated in line with normal seasonality, but are maintaining a trend of about +3% over last year. Packers have aggressively competed for the added supply which provides a strong indication that pork demand is still strong. Traders believe that cash prices will continue to appreciate over the next month by another 10% (indicated by the June lean hog futures values), but are expected to level off after that. Export sales have been the enabler of this recent market rally, allowing packers to maintain profitable margins by avoiding large price concessions to move the product. The latest monthly number had total export volume for March increase by 15%, but buyers actually paid prices 5% higher than they did in March 2016. The industry needs to maintain export sales at or above current trends in order to avoid large price concessions this fall when supplies are expected to be record-large. Producers that have not yet secured a portion of their Sep – Dec production should use the latest rally in forward contract prices as an opportunity to bring positive cash flow certainty to their fall operations.

## Canadian delivered soymeal prices opened lower this morning.

While there was some supportive news in Wednesday's WASDE report (lower ending stocks estimates in both crop years), the market has failed to find any traction. There are thoughts that the Brazil crop will be exceptionally large (CONAB estimates 113 MMT compared to USDA 111.6 MMT) and Argentine estimates were also bumped up 1 MMT from previous estimates. Farmer holding in Brazil will only last so long and when the pipelines are replenished, there are thoughts of price pressure ahead. Added to this are ideas that corn acres will likely be switched to beans in the US. And with talk that trendline yield (just over 46 bpa) could be too small, large crops from the US are expected. Amidst all of this, however, is a global demand that appears to be as strong as ever.

**US corn futures opened mixed this morning.** A drier forecast and thoughts that US farmers will be able to 'catch up' in planting progress is weighing on the trade. While the final 'prevent plant' acreage is largely unknown now, the market has shrugged off the uncertainty despite talk that acres previously dedicated to corn may go unplanted due to earlier adverse weather (not to mention thoughts of corn acres going to beans and also replanting in some areas). CONAB and the USDA don't agree on corn production from Brazil, but CONAB estimates are more bearish; Argentine corn production has been raised as well. The global drawdown of stocks estimated in the WASDE report could be a developing supportive trend, but large production volumes in the short to mid terms are pressuring.

US Slaughter	
438,000	Thursday
434,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$70.67
National	\$70.54
Iowa/S. MN.	\$70.72
Signature 5	\$174.59
HyLife (prev. day)	\$169.74
Britco (prev. day)	\$177.29
TCP/BP2	\$174.59
4-Mo. Sig5 Fwd	\$ 176.21
<b>BoC Rate (Noon) prev. day</b> \$1.3707 CAD / \$0.7296 USD	
Cash Prices Week Ending May 13, 2017	
Signature 3	171.02/77.57
Signature 4	165.15/74.91
Signature 5	168.08/76.24
h@ms Cash	166.58/75.56
HyLife	n/a
Britco	155.52/70.54
TCP/BP2	151.95/68.92
ISO Weans	\$30.88 US Avg.
Feeder Pigs	\$54.75 US Avg.
#1 Export Sows (+500lbs.)	\$54.50 /cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		178.77 186.61	180.70 187.37	174.03 182.75	161.48 170.40	157.82 160.78	139.70 151.82	137.16 145.65	144.79 153.26	153.88 157.14	157.61 162.89	162.93 163.78
Soymeal Wpg Delivered.	467	464	464	462	463	476						

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