



# Hog Margin Outlook

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Wednesday, May 17, 2017

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

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Hog Prices: ↑ ↓ Soymeal: ← →

Corn: ↑ CDN Dollar: ↑

US Slaughter	
439,000	Tuesday
432,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$71.94
National	\$74.13
Iowa/S. MN.	\$71.98
Signature 5	\$179.10
HyLife (prev. day)	\$177.98
Britco (prev. day)	\$178.98
TCP/BP2	\$179.10
4-Mo. Sig5 Fwd	\$ 177.76
<b>BoC Rate (Noon) prev. day</b> \$1.3596 CAD / \$0.7355 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	166.75/75.64
Britco	155.52/70.54
TCP/BP2	151.95/68.92
ISO Weans	\$31.08 US Avg.
Feeder Pigs	\$56.42 US Avg.
#1 Export Sows (+500lbs.) \$56.50 /cwt. (Tagged)	

**Forward contract prices opened mixed this morning.** US negotiated cash hog markets are expected to add to the gains that they have already experienced over the last three weeks with all indicators pointing to excellent retail demand for pork. Hog supplies typically fall approximately 5% from early May to early June, but the market has yet to see any sign of tightening supplies. The USDA has forecast April – June hog supplies at nearly 5% over last year and the actual supply has so far been consistent with this number. However, domestic and export demand appears to be making bigger improvements as the 30% price rally exceeds the normal spring market trend. Summer month lean hog futures had factored in the spring rally weeks ago, but have also added more value as the cash market continues to improve. Despite these recent gains, however, the fall and winter month futures have struggled to post any gains over the last two weeks suggesting that traders are more cautious about the market's ability to clear the record supplies of pork that are anticipated in the Sep – Dec timeframe.

**Canadian delivered soymeal prices opened even this morning.** US soybean futures remain supported on ideas that Chinese end users are preferring to secure US-origin beans which is seen as a counter seasonal development. There are thoughts that as many as 300,000 MT of US soybeans have been purchased by Chinese users this week. The reasons are not so clear, but ideas that farmers in Brazil are holding product (as they wait for higher prices) and rumors of a looming strike at the port of Santos (Brazil's largest) are cited as reasons. Regardless, the consensus is that large volumes and price pressure for the base commodity are ahead. For Canadian meal buyers, however, it remains to be seen if 1) price softness actually develops ahead of the expected summer rally, and 2) if it will be enough to offset transportation costs during aggressive planting (fertilizer) season.

**US corn futures opened higher this morning.** US corn futures have recovered from the recent pressure, mostly on forward looking projections suggesting a draw-down in US and global stocks is on the horizon. As well, there is a not so insignificant concern among traders that yields may not be as high as at first thought. There is no consensus on this though; on the one hand, improvements in agronomy and varietal development could see the US produce a lot of corn and end up (once again) with ending stocks pushed over the 2 billion bu. mark. On the other hand, a 5% drop from trendline yields could push ending stocks closer to 1.3 billion bu. Given this spread, there will likely be a large weather influence on the market once the corn is actually in the ground.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		187.24 191.20	184.68 191.24	177.17 185.81	162.13 170.96	159.24 162.18	140.41 152.47	137.89 146.33	144.21 152.61	153.22 156.46	156.99 162.23	162.29 163.14
Soymeal Wpg Delivered.	467	464	459	463	462	476						

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