



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 06, 2017

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

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Hog Prices: ↓ Soymeal: ↓ ↑

Corn: ↑ CDN Dollar: ↑

Forward contract prices opened lower this morning. US cash markets climbed to their highest level in months as hog supplies are tightening and forcing packers to compete for the limited supplies. While hog numbers are averaging more than 4% higher than year ago levels, they are likely to see their lowest level of the year in the next 4 weeks if they follow the normal supply trend. However, futures traders are looking beyond this timeframe and are taking a more bearish view of market fundamentals. The recent export sales data suggests a slowdown in volumes sold to Mexico and China, the two countries that have shown the greatest growth potential. With supplies expected to maintain a trend of 4-5% over last year, any decline in export demand would have a devastating effect on prices. Technical indicators have turned negative over the last few days for the summer month contracts with the nearby futures contracts down \$3.00 USD/cwt from their highs. Producers that have been waiting to secure their September – February prices should consider hedging half of their intended production at current prices.

Canadian delivered soymeal prices opened mixed this morning. In a typical reversal, weather commentary has gone from stories of saturated fields and too much moisture to concerns that the recently forecast dry weather could be supportive. In part, this is due to ideas that, despite good subsoil moisture levels, a bout of dry weather could lead to rapid deterioration of the topsoil. In any event, the trade is very much a weather market currently and with most of the South American crop priced in for now, US production expectations will steer direction in the short to mid term. Planting progress showed that 83% of the crop is in the ground compared to 67% last week and a 78% ten-year average. Brazil export sales are 16% behind pace relative to averages suggesting another round of sales are expected.

US corn futures opened higher this morning. Seven regions produce ~87% of the world's corn. Of that, and for the past two years, North America has produced 40% compared to China at 22%, South America at 13%, the EU at 6% and the Black Sea region at 4%. About 15% of US corn is destined for export as grain, and even more when processed goods are factored; The US crop is very important to global stocks and suggestions of late or poorly developing crops is news. The US corn crop is rated 68% good/excellent compared to a 71% average and some major producing states are below last years' levels. While it is too early to conclusively project final production from these variables, crop development will be watched very closely.

US Slaughter	
440,000	Monday
408,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$75.60
National	\$78.03
Iowa/S. MN.	\$75.63
Signature 5	\$186.79
HyLife (prev. day)	\$185.44
Britco (prev. day)	\$186.50
TCP/BP2	\$186.79
BoC Rate (Noon) prev. day \$1.3483 CAD / \$0.7417 USD	
Cash Prices Week Ending June 3, 2017	
Signature 3	180.46/81.86
Signature 4	183.93/83.43
Signature 5	182.20/82.64
h@ms Cash	180.70/81.96
HyLife	182.81/82.92
Britco	176.31/79.97
TCP/BP2	179.54/81.44
ISO Weans	\$23.70 US Avg.
Feeder Pigs	\$52.06 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		186.35 192.90	179.72 188.29	159.99 168.75	156.76 159.67	137.58 149.52	135.08 143.44	141.12 149.46	150.06 153.28	154.17 159.37	159.48 160.32
Soymeal Wpg Delivered.	438	438	443	445	457	456					

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