



Hog Margin Outlook

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Friday, June 09, 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 are finishing the week higher with strong factors supporting the gains. Wholesale pork prices added another \$1.50 USD/cwt in yesterday's trade, taking the pork carcass cut-out to its highest level since December of 2014 and surpassing the summer peaks of the last two years. The largest gains over the past week came from the loin and belly primal cuts adding about 3% of their value. Yesterday's weekly pork export volumes showed a divergence from the recent weaker trend with volume up sharply from any week of the last month. Critical to market's ability to continue the recent positive trend is export destinations buying more pork. Even if we start to see wholesale pork prices soften, if traders are confident that export volumes are strong, cash hog prices should remain firm. However, the opening of the new slaughter facility in Sioux City, Iowa is now pushed back to early September according to a recent comment by a company official, which will likely limit the gains in the cash market over the next two months that were anticipated by the market.

Canadian delivered soymeal prices opened lower this morning.

While the release of the WASDE report is usually big news for the trade, and there are thoughts that the market will indeed react following the release of the data today, the consensus is that the weather will have more of an impact in the next week than the WASDE report will have today. High temperatures and a lack of rainfall in a large swath of the production area will be closely watched and early signs of crop stress (if any) will likely be reflected in the trade. In the meantime, pre-report estimates show old crop ending stocks to come in near 400 million bu. while new crop is so far coming in between 435 and 612 million bu. Brazil's CONAB has now pegged Brazilian production at 113.9 MMT, a huge number that will likely surpass any production number from the US this year.

US corn futures opened higher this morning. Like beans, the US corn futures trade is expected to react more to weather than to today's WASDE report estimates. To be sure, traders will absolutely be looking at production and ending stocks estimates for direction, but until more concrete yield and acreage are confirmed, a clearer picture may not emerge today. There is an ongoing commentary regarding lost acreage during planting and current thoughts that the crop could deteriorate without rainfall soon, but these impacts will not be reflected in today's WASDE report; new crop ending stocks estimates could still hover around the 2 billion bu. mark as they did in May. However, analysts have been pointing out for some time that a 5% loss in yield from trendline could push ending stocks to near 1.3 billion bu. and a 10% loss could push them down to 600 million bu. For now, the weather will be the primary market driver.

US Slaughter	
440,000	Thursday
398,000	Thursday (year ago)

Daily Prices	
W. Corn Belt	\$77.64
National	\$80.02
Iowa/S. MN.	\$78.02
Signature 5	\$191.98
HyLife (prev. day)	\$190.02
Britco (prev. day)	\$192.68
TCP/BP2	\$191.98

BoC Rate (Noon) prev. day
\$1.3503 CAD / \$0.7406 USD

Cash Prices Week Ending June 10, 2017	
Signature 3	188.39/85.45
Signature 4	188.88/85.68
Signature 5	188.63/85.56
h@ms Cash	187.13/84.88
HyLife	n/a
Britco	182.66/82.85
TCP/BP2	182.20/82.65

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		190.19 196.68	181.71 190.26	164.10 172.85	160.89 163.79	141.50 153.42	139.01 147.35	143.64 151.96	152.57 155.77	156.11 161.30	162.07 162.92
Soymeal Wpg Delivered.	442	442	448	449	459	459					

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