



# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 12, 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.** Last week, US cash markets finished higher than the week previous, but was showing signs of a top on Thursday and Friday. With hog slaughter estimated at 2.192 million hogs, pork production is up more than 4% from year ago levels. But packers are still attempting to maximize their production as their operating margins are excellent for this time of year. Wholesale pork prices have been supported by gains in pork loins, bellies and trim values that have taken the carcass cut-out value to its highest level in 2 ½ years. With more than 25% of all US pork produced destined for export markets, the stability of the market is contingent on maintaining the strong export sales. Lean hog futures are factoring in a weakening market over the summer months, which could be in part caused by a delayed start to the opening of the new slaughter facility in Sioux City, Iowa. Producers who have not hedged a portion of their fall and winter production still have a good opportunity to secure profitable prices for the Sep – Feb timeframe, which would provide positive cash flow certainty.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are seeing some pressure to start the week, continuing the theme following the release of the June WASDE report last Friday. Old crop ending stocks came in 15 million bu. higher than the May report and is considered bearish when recalling that recent export demand has been steady-to-strong. New crop ending stocks are estimated at 495 million bu., 10 million bu. higher than the average pre-report estimate. However, the report is using currently estimated acreage and yield and as new information becomes available, the final analysis could reveal a much different outlook. For example, thoughts of shifting acreage and/or the impacts of crop damage are not reflected in the June report. In the meantime, the weather will largely influence the market day-to-day.

**US corn futures opened lower this morning.** While the June WASDE report came in largely within expectations, talk of poor acreage and yield scenarios continue to circulate, now with updated projections. Old crop ending stocks estimates (and all other metrics) were unchanged from the previous month and new crop numbers were slightly higher than expectations, but again, unchanged from the May report. However, analysts are predicting acreage loss near 1 million acres and if this is true, a 5% decrease from trend line yield will push new crop ending stocks to 1.076 billion (from the current 2.110 billion bu.), while a 10% decrease would see numbers plunge to 375 million bu. To be sure, these are just estimates for now, but these scenarios have been rerepeated for weeks and the market could turn if the hedge funds (who are currently net short) change their view.

US Slaughter	
2.192 mil.	Last Week
2.090 mil.	Last Week (year ago)

Daily Prices	
W. Corn Belt	\$77.59
National	\$80.54
Iowa/S. MN.	\$77.64
Signature 5	\$191.83
HyLife (prev. day)	\$191.40
Britco (prev. day)	\$191.03
TCP/BP2	\$191.83

<b>BoC Rate (Noon) prev. day</b>
\$1.3453 CAD / \$0.7433 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	188.57/85.53
Britco	182.66/82.85
TCP/BP2	182.20/82.65

ISO Weans	\$26.18 US Avg.
Feeder Pigs	\$53.13 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		185.78 190.74	177.91 186.45	162.42 171.16	159.19 162.09	140.59 152.50	138.10 146.44	142.94 151.26	151.86 155.07	155.65 160.84	161.22 162.07
Soymeal Wpg Delivered.	434	434	439	442	450	452					

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