

Hog Margin Outlook

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Thursday, July 06, 2017

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

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Hog Prices: ↓ Soymeal: ↔

Corn: ↓ CDN Dollar: ↓

US Slaughter	
430,000	Wednesday
430,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$87.64
National	\$92.12
Iowa/S. MN.	\$88.70
Signature 5	\$210.41
HyLife (prev. day)	\$209.82
Britco (prev. day)	\$210.60
TCP/BP2	\$210.41
BoC Rate (Noon) prev. day \$1.2982 CAD / \$0.7703 USD	
Cash Prices Week Ending July 1, 2017	
Signature 3	209.12/94.86
Signature 4	212.52/96.40
Signature 5	210.82/95.63
h@ms Cash	209.32/94.95
HyLife	211.76/96.05
Britco	210.66/95.55
TCP/BP2	207.56/94.15
ISO Weans	\$26.76 US Avg.
Feeder Pigs	\$51.97 US Avg.

Forward contract prices opened lower this morning. US cash markets started this week with higher bids and have maintained those gains after the Independence Day holiday. Packers continue to benefit from stronger pork product prices which has taken the pork cut-out value to its highest level since the fall of 2014. In particular, the pork belly primal cut has nearly matched its all-time record high price that was set early in 2014 when the PEDv outbreak was having an impact on the market. However, the popular cut has proven to be highly volatile and has never sustained its gain over the \$180 USD/cwt level for any more than a few weeks. The strong pork product prices have supported strong cash prices and this, in turn, has allowed futures markets to put in new contract highs. Producers with less than 50% coverage on their fall and winter production should consider using the recent rally as an opportunity to secure profitable prices on an additional 20% of their production as market fundamentals remain uncertain.

Canadian delivered soymeal prices opened even this morning. While the value of the Canadian dollar remains relatively high, it has not been enough to offset the rapid increase in bean and meal prices following the release of the Grain Stocks and Acreage reports last Friday. While not rising as fast as before the July long weekend, the bean complex continues to show strength, now aided by the Crop Progress report that came in at 64% for the good/excellent rating in a report that was delayed because of the July 4th holiday. This was two points lower than last week and one point under the market's average 65% expectation. All told, the impact on Canadian meal prices has been significant in a short period of time and meal prices are approximately \$27 CAD/MT higher compared to the Friday June 30 (pre-reports') opening price.

US corn futures opened lower this morning. Slightly bearish Grain Stocks and Acreage reports initially weren't enough to turn the market lower and instead, the trade saw some support on Friday. Today, however, the market is in a lower trend, continuing the theme yesterday. Yesterday's delayed Crop Progress report showed that the crop improved by 1% and is now rated at 68% good/excellent condition compared to 67% last week. Yield estimates at the 'lower end' of the spectrum are hovering around 165 bpa. This suggests, all else equal, that ending stocks could come in near 1.9 billion bu. which is not nearly as pessimistic as earlier estimates coming in as low as 1.3 billion bu. However, the ever-sensitive pollination phase is poised to line up with a bout of high heat and all estimates will likely be heavily revised; 165 bpa, while 'lower', is not a guarantee.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		176.90 185.14	161.56 169.98	158.57 161.37	139.31 150.79	136.91 144.95	141.57 149.62	150.21 153.31	153.54 158.56	158.79 159.60
Soymeal Wpg Delivered.	443	445	448	459	464	464				

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STRENGTH IN NUMBERS

