

Hog Margin Outlook

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Tuesday, August 01, 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 are called steady in the near term as there are thoughts supplies are not coming in as strong as the latest Hogs and Pigs report has suggested. To be sure, hog supplies are still high and packers are not finding much difficulty in securing supply. However, the recent numbers suggest that volumes may not be as high as the projections which will likely have a supportive function on cash bids. The other feature – a high pork cut-out – remains supportive led by an exceptional belly primal. Lean hog futures continue to trade with a fairly large discount to the cash market; the October contract is coming in at a \$22.72 USD/cwt lower than cash markets compared to the \$16.57 USD/cwt 5-year average. There is some talk that new processing plants may provide some support as competition ramps up when the plants come on stream. The other argument, however, suggests that the new plant premium may already be 'built in' somewhat, so while producers can be optimistic about new competition, the impacts may actually be less dramatic than expectations, arguably a sentiment reflected in current futures values.

Canadian delivered soymeal prices opened lower this morning. US soybean futures markets have once again turned lower (by double digits) following the release of the Crop Conditions report yesterday. Normally, the Crop Conditions report doesn't have that much sway; however, some key states showed significant improvements over last week's numbers; for example, Illinois improved its good/excellent condition by 7% compared to an 8% decline last week. Nationally, the good/excellent condition for beans in now 59% compared to 57% last week and approaching the 61% 10-year average.

US corn futures opened lower this morning. After some challenging starts and development, there is now talk that filling-stage weather for a large portion of the crop will be near ideal. There is not much that can be done about the areas of the crop that have been damaged or left unplanted. However, the forecast cooler and wetter weather may provide a boost for the remainder of the crop. Yesterday's Crop Progress report showed that, nationally, the good/excellent condition was lowered by 1% from the previous week to 61% and while the weather is forecast to improve, there is talk it might not be enough to prevent downgrades in yield estimates.

US Slaughter	
422,000	Last Week
357,000	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$79.92
National	\$87.93
Iowa/S. MN.	\$80.12
Signature 5	\$188.88
HyLife (prev. day)	\$192.62
Britco (prev. day)	\$182.94
TCP/BP2	\$188.88
BoC Rate (Noon) prev. day \$1.2485 CAD / \$0.8010 USD	
Cash Prices Week Ending July 29, 2017	
Signature 3	190.27/86.31
Signature 4	200.89/91.12
Signature 5	195.58/88.71
h@ms Cash	194.08/88.03
HyLife	197.89/89.76
Britco	196.44/89.10
TCP/BP2	202.47/91.84
ISO Weans	\$20.05 Avg.
Feeder Pigs	\$48.13 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		143.51 156.02	140.67 143.36	124.14 135.22	121.82 129.58	129.64 137.38	137.94 140.92	143.32 148.14	148.34 148.68	152.34 164.53	162.44 173.96
Soymeal Wpg Delivered.	420	420	431	434	434						

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