



Hog Margin Outlook

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Monday, August 14, 2017

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

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Hog Prices: ↑↓ Soymeal: ↔
Corn: ↓ CDN Dollar: ↑

Forward contract prices opened mixed this morning. US cash markets are lower and all reporting regions are coming in lower to start the week. ISM and WCB regions are down \$0.89 and \$0.97 USD/cwt respectively while the National region is lower by \$0.50 USD/cwt. Despite the move, the cash market has not yet made the seasonal shift lower. This is perhaps unsurprising as the weather has not yet been substantially cooler and fresh corn is still a bit away. Weekly slaughter numbers came in higher by 1.12% over the previous week but the USDA's Hogs and Pigs report implies market observers should be seeing slaughter levels higher between 3 and 4%. And while the pork cut-out has softened somewhat, coming in \$1.68 USD/cwt lower from the previous week, bellies are strong, albeit a bit volatile; they were again up mid-trade on Friday, adding to Thursday's gains, but finally settled \$4.09 lower on the day. Lean hog futures are called steady to start the week. The October contract has moderated somewhat and the spread is only \$0.65 USD/cwt larger than the 5-year average compared to the \$5.88 difference two weeks ago. It is nonetheless still trading at an approximate \$16 discount to the cash market.

Canadian delivered soymeal prices opened even this morning. US soybean futures are trading lower to start the week on thoughts of a strengthening US dollar and weather patterns that are considered bearish. A higher US dollar could put the US at a competitive pricing disadvantage relative to competitors such as Brazil and Argentina. As well, areas in the northern US that were until recently on watch for drought expansion are now being described as having near ideal conditions for this time of year. The result could be improving yields in the concerned areas that would add to the surprising 49.4 bpa national yield estimate in last week's WASDE report, pushing ending stocks estimates higher and pressuring futures prices.

US corn futures opened lower this morning. Like bean, US corn futures are starting off under pressure. The strengthening US dollar and importing weather are also cited as rationale for the pressure. A disagreement with the WASDE report appears to be concerning ear weights, where weights have been determined to be the third highest on record. The criticism is that the USDA did not account for the potential impact due to the heat wave in July. The final analysis remains to be seen, but the Pro Farmer Crop Tour is expected to start on August 21 and provide the market with some new information to consider.

US Slaughter	
2.272 mil.	Last Week
2.246 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$78.13
National	\$85.15
Iowa/S. MN.	\$78.28
Signature 5	\$186.70
HyLife (prev. day)	\$190.50
Britco (prev. day)	\$181.61
TCP/BP2	\$186.70
BoC Rate (Noon) prev. day	
\$1.2685 CAD / \$0.7883 USD	
Cash Prices Week Ending August 12, 2017	
Signature 3	186.37/84.54
Signature 4	193.58/87.81
Signature 5	189.98/86.17
h@ms Cash	188.48/85.49
HyLife	191.23/86.74
Britco	185.24/84.02
TCP/BP2	190.00/86.18
ISO Weans	\$20.57 US Avg.
Feeder Pigs	\$40.92 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		155.11 157.12	152.28 155.03	134.49 145.78	132.13 140.03	137.93 145.81	146.38 149.41	149.57 154.48	154.41 154.75	155.25 167.64	165.52 177.23
Soymeal Wpg Delivered.	409	409	419	423	423						

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