



Hog Margin Outlook

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Tuesday, August 15, 2017

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

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

Forward contract prices opened higher this morning. US cash markets pushed moderately lower across three reporting regions. Prices were roughly a dime lower in the ISM and WCB regions while the National reporting region was priced lower by \$0.47 USD/cwt relative to the previous day. The cut-out is starting to show signs of moderating and was down \$0.33 USD/cwt but the relatively high value is still supportive and a lowering trend is far from certain at this point. Butts, picnics and ribs were up while loins, hams and bellies were down; hams showed the biggest loss at \$2.35. Lean hog futures are trading higher following the expiration of the August futures contract. Yesterday, the October discount to cash market was less than \$1 lower than the average yesterday and today we see that discount softening still; the October contract is currently trading over \$70 USD/cwt. Given the fundamental expectations, there is some concern that, despite the softening, the cash/futures spread is still a bit wide. Support for the October contract is likely a function of it now being the front month contextualized with a strong cash market. However, there are still expectations of large supplies ahead and the market must absolutely absorb those supplies in order to justify sustained strength.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower following the trend that began last Thursday after the release of the August WASDE report. Supplies were estimated to be much higher than anticipated and there are thoughts the improvements in yield could develop as the weather forecasts appear to be more cooperative. In fact, one analytics firm as suggested another 0.5 bpa increase to the current 49.4 bpa estimate could influence ending stocks to 521 million bu. (370 mil. old crop, 197 mil. last year) which is entirely possible if current base lines are correct. However, Canadian meal prices are supported on a lowering Canadian dollar.

US corn futures opened lower this morning. Pressure on the trade comes from a stronger USD, improving weather outlooks and improving crop conditions that were released yesterday. Although ear weights have been criticized as currently being estimated too high, those concerns took a back seat to the Crop Conditions report that showed the crop in good/excellent condition improved to 62% from an average 60% pre-report expectation. Crop tours start next Monday, August 21.

US Slaughter	
446,000	Monday
428,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$78.04
National	\$84.68
Iowa/S. MN.	\$78.15
Signature 5	\$184.85
HyLife (prev. day)	\$189.06
Britco (prev. day)	\$181.59
TCP/BP2	\$186.35
BoC Rate (Noon) prev. day \$1.2705 CAD / \$0.7871 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		159.33 161.36	156.55 159.31	138.34 149.68	135.97 143.90	140.75 148.64	149.22 152.26	151.51 156.43	156.35 156.69	156.99 169.42	167.29 174.15
Soymeal Wpg Delivered.	410	410	420	424	424						

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