

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 18, 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. With hog weights coming up, slaughter up, and recent weakness in the belly primal, US cash prices are moderating and packers have less incentive to bid aggressively for the available supplies. While the expected seasonality has yet to develop fully, there is talk that more supply will likely be coming soon especially as temperatures fall and fresh corn becomes available. In the meantime, slaughter is on pace this week to be 3.3 % higher than last year (i.e. more in line with previous USDA estimates), and we note the frequently volatile belly primal has dropped into the low \$180s since last week to the lowest level since June. Lean hog futures moved another leg lower in yesterday's trade, dropping between 1.37% and 2.64% over the course of the trading day depending on the contract. The market is of the view large supplies are indeed on the way and while new processing plants will provide a supportive function, the market must nevertheless clear any large volumes of pork that are likely coming. There has been some positive export news from the non-NAFTA trading partners. However, as official NAFTA talks got underway this week, there was some strong US positioning and the overtones suggest there will likely be some less than completely harmonious negotiating ahead, potentially adding some uncertainty in the USA's number one pork export destination (by volume); Mexico. Long liquidations and technical selling have pressured in recent days in a trend that has continued as of this writing.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher and are on more stable footing to close out the week, mostly, on export data showing sales for both old and new crops were well above expectations. Looking forward, however, the picture is less clear. While some areas of the US are poised for some rain over the weekend, others are at risk of yield damage if decent rainfall doesn't develop soon. A recent analysis shows an area stretching from northern Idaho to southern Iowa is under drought conditions, impacting about 16% of the soybean growing area.

US corn futures opened higher this morning. The drought area mentioned above is also impacting about 15% of corn growing country and there are still comments surfacing that the USDA's current yield estimate is simply too high. Weather heading into the weekend and the beginning of next week is mixed and until fresh yield data starts to surface, the debate over accurate yield will likely be a common theme in the short term. Large areas of Illinois and Iowa have received less than 50% and 75% of normal rainfall, potentially hinting at the direction of production estimates ahead. In other areas, the weather is near ideal.

US Slaughter	
447,000	Thursday
432,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$75.60
National	\$83.77
Iowa/S. MN.	\$75.59
Signature 5	\$181.65
HyLife (prev. day)	\$187.22
Britco (prev. day)	\$174.84
TCP/BP2	\$181.65
BoC Rate (Noon) prev. day \$1.2647 CAD / \$0.7907 USD	
Cash Prices Week Ending August 19, 2017	
Signature 3	179.78/81.55
Signature 4	190.21/86.28
Signature 5	185.00/83.92
h@ms Cash	183.50/83.24
HyLife	n/a
Britco	185.29/84.05
TCP/BP2	189.98/86.17
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		145.86 147.86	143.01 145.73	126.92 138.10	124.58 132.41	132.02 139.83	140.40 143.42	147.43 149.24	149.94 150.28	152.10 164.46	162.35 174.03
Soymeal Wpg Delivered.	410	410	416	419	419	420					

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