

Hog Margin Outlook

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Friday, September 08, 2017

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

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

US Slaughter	
448,000	Thursday
434,000	Year Ago
Daily Prices	
W. Corn Belt	\$60.04
National	\$70.43
Iowa/S. MN.	\$60.07
Signature 5	\$142.78
HyLife (prev. day)	\$152.03
Britco (prev. day)	\$133.46
TCP/BP2	\$142.78
BoC Rate (Noon) prev. day \$1.2148 CAD / \$0.8232 USD	
Cash Prices Week Ending September 09, 2017	
Signature 3	138.19/62.68
Signature 4	156.00/70.76
Signature 5	147.10/66.72
h@ms Cash	145.60/66.04
HyLife	n/a
Britco	146.18/66.31
TCP/BP2	158.65/71.96
ISO Weans	\$20.53 US Avg.
Feeder Pigs	\$35.54 US Avg.

Forward contract prices opened mixed this morning. US cash markets traded mostly lower this week as the holiday on Monday resulted in hog supplies being backed up in the country which allowed packers to drop bids with few consequences to their production line. The weekend slaughter schedule is expected to ramp up to its highest level in months with the projected slaughter numbers for tomorrow at around 325,000 hogs. It is over the next couple of weeks that growth in US pork production is expected to be at its peak with cooler temperatures and new crop corn supporting better weight gains. However, the market's focus may have shifted to demand for pork; the USDA reported monthly pork exports for July were down close to 4% from last year. Volumes to Japan and China were down sharply, while Mexico and South Korea experienced an improvement. The report probably initiated yesterday's sell-off in the nearby lean hog futures market which resulted in a \$2.00 USD/cwt drop in the October and December contracts. The Canadian Dollar surged to its highest level since April of 2015, further pressuring Canadian cash and forward prices.

Canadian delivered soymeal prices opened even this morning. US soybean futures are opening the last day of the trading week higher on some finishing weather concerns (dryness) and amid thoughts that next week's WASDE report will reveal a lowered yield estimate. Despite this, most analysts are of the view that yield will not be lowered by much; percentage declines relative to last year have often influenced an exaggerated perception of poor yield this year due to the exceptional performance last year. So, the thought now is that the extremely poor scenarios are overstated on average and likely localized for the problem areas that exist. The USDA's August estimate showed 49.4 bpa; the average estimate for the September report is coming in at 48.8 bpa with a 47.1 to 50.0 bpa range. Surprises are always possible, however.

US corn futures opened higher this morning. US corn futures continue to recover from the lows hit earlier on and are also being influenced by dry weather outlooks and a supportive tone heading into next week's WASDE report. Like beans, the consensus is that yield will be lowered, and also like beans, that the lower number will not be that far off the current mark. August's numbers surprised the market with a 169.5 bpa yield estimate and now that crop tours have come back with a 'not-as-bad-as-we-first-thought' assessment, the market appears to be expecting only modest declines in yield from the USDA's current numbers...for now. Average yield estimate for Tuesday's report is coming in at 167.9 bpa which would influence an expectation of over 2.1 billion in ending stocks.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		129.30 131.92	118.24 129.03	115.98 123.54	123.98 131.53	132.08 134.99	138.54 143.24	143.37 143.48	146.94 158.84	156.80 168.04
Soymeal Wpg Delivered.	420	407	411	411	417	417				

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