

Hog Margin Outlook

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Tuesday, September 12, 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 hog markets started the week decisively lower despite the support seen in the pork product market yesterday. The pork carcass cut-out found support at US\$82.00/cwt in trade yesterday leaving estimated gross packer margins at nearly US\$50/hog. Hog supplies are growing quickly and have left packers feeling confident that they will fill their production needs profitably with this week's slaughter expected to be near 2.4 million hogs. October and December lean hog futures continue to be discounted from the cash market at a larger-than-normal amount, suggesting that market participants are skeptical that the two new plants will make a significant impact on competition in the cash market and the resulting basis levels. Producers looking for more price protection in the winter timeframe can wait for several more weeks for a rally in futures before we start to approach the heaviest production period of the year.

Canadian delivered soymeal prices opened lower this morning. All eyes will be on the September WASDE report as the market looks for fresh information for direction. Typically, when conditions don't change much, the USDA doesn't adjust yield estimates until October. As a guide, we can observe that crop conditions are near 10-year averages and the crop tours have not revealed anything that would be considered a massive crop failure; this would support the USDA keeping yield numbers where they are. However, the USDA has been known to issue surprises (e.g., this year's August report). And despite the fact that no pre-market chatter should be considered as a concrete guide, the market is expecting a slight 0.8 bpa reduction to the USDA's August numbers. Answers will be revealed at 11:00AM Central time.

US corn futures opened lower this morning. Like beans, the US corn market is looking to today's WASDE report for direction. Unlike beans, the range of estimates is comparatively large; from 165 bpa at the low end of the spectrum to 170+ at the upper end. The market seems to think yields will be lowered slightly this morning, but also like the bean trade, the market's perception of what is coming matters very little to the USDA. Surprises could develop. However, given recent weather challenges, it seems highly unlikely that yields will be increased. In any event, the uncertainty regarding USDA decisions will be revealed shortly, and the market will react - the degree to which (and direction) remains to be seen.

US Slaughter	
450,000	Monday
441,000	Year Ago
Daily Prices	
W. Corn Belt	\$57.25
National	\$68.57
Iowa/S. MN.	\$57.22
Signature 5	\$137.44
HyLife (prev. day)	\$146.42
Britco (prev. day)	\$126.92
TCP/BP2	\$137.44
BoC Rate (Noon) prev. day \$1.2128 CAD / \$0.8245 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	154.29/69.99
Britco	146.18/66.31
TCP/BP2	158.65/71.96
ISO Weans	\$22.54 US Avg.
Feeder Pigs	\$37.86 US Avg.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		126.93 127.92	116.86 127.66	114.60 122.16	123.40 130.95	131.50 134.41	138.55 143.26	143.77 143.58	147.64 159.55	157.51 168.76	165.05
Soymeal Wpg Delivered.	414	400	405	405	411	413					

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