

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 13, 2017

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

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Hog Prices: ↓Soymeal: ↔

Corn: ↓CDN Dollar: ↓

Forward contract prices opened mostly lower this morning.

US cash markets were US\$1.00/cwt lower in yesterday's trade, matching the average daily loss experienced over the last several weeks. Hog numbers are abundant as packers are having no difficulty sourcing supplies which is on pace for the largest hog slaughter for this time of year. Pork product values are reflecting the heavy supplies by falling US\$2.00/cwt in yesterday's trade with weakness experienced across all of the primal cuts. Hams and shoulders have seen the most resilience while loins, ribs, and bellies are dragging the cut-out value down. The October and December lean hog futures contracts are down US\$0.50 - \$1.00/cwt and are approaching contract lows following this morning's opening. With fundamental factors largely biased to support a lower trend, and technical indicators also pointing in the same direction, few traders have been willing 'pick the bottom' in an overwhelmingly bearish market.

Canadian delivered soymeal prices opened even this morning.

Many readers following other news sources will likely see headlines touting how the USDA once again issued a surprise WASDE report yesterday. However, a closer look will reveal a reasonable adjustment considering context. Yield was adjusted ½ bushel per acre higher than the previous report and while the August report was also considered a surprise, both moves have been within reason when one analyses state by state numbers. Furthermore, the report follows survey results that were observed at the end of August when conditions improved. Yield is now pegged at 49.9 bpa, the second highest going back to 2010 and ending stocks remain unchanged at 475 million bushels. Regardless, recent weather issues (dryness) and concerns around pod counts will be issues to watch in subsequent reports.

US corn futures opened lower this morning. Yesterday, we (and many others) suggested that it was unlikely the USDA would raise yield estimates given some concerns on crop progress. However, the USDA did exactly that. The raise was 0.4 bpa from August numbers and the market turned immediately lower. All things considered (conditions at time of survey, relative development to last year and to averages, etc.), the adjustment is not unreasonable and the market reaction was strong because the pre-market estimates were expecting an adjustment lower. There will be those that disagree with the report due to the time lag between the survey and 'current' conditions, but for now, the market is adjusting to the new information. Corn yield was pegged at 169.9 bpa (3rd highest going back to 2010) and ending stocks are at very comfortable 2.335 billion bushels...for now.

US Slaughter	
451,000	Tuesday
438,000	Year Ago
Daily Prices	
W. Corn Belt	\$55.88
National	\$68.34
Iowa/S. MN.	\$55.88
Signature 5	\$136.02
HyLife (prev. day)	\$145.87
Britco (prev. day)	\$124.26
TCP/BP2	\$136.02
BoC Rate (Noon) prev. day	
\$1.2159 CAD / \$0.8224 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		122.96 123.95	114.56 125.40	112.30 119.88	122.06 129.64	130.19 133.12	137.72 142.44	142.34 142.45	146.67 158.60	156.56 167.83	165.17
Soymeal Wpg Delivered.	414	400	405	405	411	413					

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