

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, September 14, 2017

For details call: (204)235-2237 or visit www.hamsmarketing.ca

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

Forward contract prices opened mixed this morning. US cash markets experienced further weakness and are continuing their unbroken trend of losses seen over the last 6 weeks. US pork production continues to make significant gains with daily slaughter levels averaging 450,000 hogs while carcass weights have gained 2 pounds over last week's average. This level of growth has packers firmly in control of their production margins as they continue to benefit from a large spread between the cash hog bids and pork product prices. Pork prices have been on a weaker trend which should entice new consumption in both the domestic and export markets. The two new plants that are working up to their operating capacities should have the effect of increasing competition for live supplies which will likely narrow their operating margins, but improve revenue to hog producers. Producers looking for price protection in the Jan – Mar timeframe should consider setting targets \$15/ckg higher than current forward prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower after seeing initial losses related to the September WASDE report. The support, now, is premised on ideas that the market has finally found a bottom, not to mention that there is some analytical chatter suggesting the survey-driven WASDE report (when data was gathered at the end of August when conditions were better) doesn't accurately reflect conditions on the field right now. Arguably, that difference of opinion is expressed in the current moves of the trade. Regardless, there are concerns pod counts will come in lower in the final analysis, and yields will ultimately be lowered in subsequent reports. In the meantime, there are thoughts that China will resume more aggressive buying strategies soon, adding to the supportive tone.

US corn futures opened higher this morning. Like beans, there are thoughts that the bottom level for the trade has been reached following the WASDE report-influenced push lower. There are also thoughts that the USDA has estimated ear weights a bit too high for current conditions which could be revised lower if the recent dryness has had any impact. Outside markets are influencing too as there is talk the Chinese government plans to increase the use of E10 gasoline (containing 10% ethanol) in a structural move designed to reduce emissions and increase the value of corn for domestic (Chinese) producers. China is the world's largest car market so the policy shift could be a significant one if realized.

US Slaughter	
450,000	Wednesday
435,000	Year Ago
Daily Prices	
W. Corn Belt	\$54.75
National	\$67.12
Iowa/S. MN.	\$54.78
Signature 5	\$133.75
HyLife (prev. day)	\$143.64
Britco (prev. day)	\$122.10
TCP/BP2	\$133.75
BoC Rate (Noon) prev. day \$1.2187 CAD / \$0.8205 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		126.02 127.01	115.21 126.04	112.94 120.52	122.36 129.96	130.51 133.44	137.49 142.23	141.97 142.08	146.65 158.59	156.55 167.83	165.87
Soymeal Wpg Delivered.	425	412	417	417	422	426					

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