



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

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, November 02, 2017

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Forward contract prices opened mixed this morning. US cash markets turned lower in yesterday's trade as packer demand and producer supply have resulted in a price trend that has been mixed over the last week. Yesterday's slaughter was estimated by the USDA at 465,000 hogs which is the highest daily slaughter level seen so far. Pork production is expected to peak over the next month where weekly production levels are expected to approach 550 million pounds of pork, the largest weekly production ever experienced. Critical to the market over the next two months is the ability to clear the record production that is anticipated; recent demand indicators suggest that US domestic demand remains strong while export markets are struggling to see growth over last year. Producers looking to add price protection in the winter months should view current December - February prices as good value given the most recent rally and the expectation for record supplies over this time. However, those seeking protection for next spring/summer can be more aggressive with their hedging plan by targeting this timeframe at \$15 CAD/ckg higher than current forward prices.

Canadian delivered soymeal prices opened higher this morning. 'New money' at the beginning of the month has been a supportive feature since yesterday that has carried over into this morning's trade. While not a steep rally, the US trade is seeing more bullish influence than in recent memory. For example, there are thoughts that recent rain in South America may not be enough to allow planting to catch up in some regions. There is speculation that if the anti-dumping duties for Argentina remain in place that US soy oil stocks are poised to tighten significantly. As well, and unlike corn, the consensus ahead of the November WASDE is that the USDA will lower yield expectations relative to the October report. While the trade will have to wait for some of these developments to materialize, the WASDE report will be released on November 9.

US corn futures opened higher this morning. Like beans, the US corn futures market is seeing some support on thoughts 'new money' has entered the trade to start the month. As well, a global drawdown in stocks and thoughts that Brazil and the EU region will produce less corn is also lending to support, not to mention that the US harvest is still about 19% behind last year's pace. On the other side of the argument is the notion that US yield estimates are large and getting larger, officially. Estimates have also maintained acreage relatively constant (so far) so if yield really comes in at the upper end of estimates on the 9th (up to 3 bpa higher than the USDA's current 171.8 bpa), the US corn market could be looking at some more pressure.

US Slaughter	
465,000	Wednesday
442,000	Year Ago
Daily Prices	
W. Corn Belt	\$63.42
National	\$69.89
Iowa/S. MN.	\$63.54
Signature 5	\$154.82
HyLife (prev. day)	\$158.60
Britco (prev. day)	\$149.73
TCP/BP2	\$154.82
BoC Rate (Noon) prev. day	
\$1.2885 CAD / \$0.7761 USD	
Cash Prices Week Ending October 28, 2017	
Signature 3	151.96/68.93
Signature 4	151.92/68.91
Signature 5	151.94/68.92
h@ms Cash	150.43/68.23
HyLife	152.36/69.11
Britco	143.33/65.01
TCP/BP2	140.17/63.58
Year-to-Date Top-Up Estimate	
\$3.71/ckg (call for details)	
ISO Weans	\$37.77 US Avg.
Feeder Pigs	\$50.26 US Avg.

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		137.16 145.14	143.43 154.86	155.44 158.51	156.71 164.49	165.17 165.28	165.63 178.22	176.07 187.96	179.10 184.02	179.10 181.70
Soymeal Wpg Delivered.	434	434	438	443	443	450				

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