

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 16, 2018

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

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Hog Prices:  $\uparrow\downarrow$  Soymeal:  $\uparrow$   
Corn:  $\uparrow$  CDN Dollar:  $\uparrow$

## US Slaughter

2.450 mil. Last Week  
2.382 mil. Year Ago

## Daily Prices

|                    |          |
|--------------------|----------|
| W. Corn Belt       | \$70.15  |
| National           | \$71.48  |
| Iowa/S. MN.        | \$70.18  |
| Signature 5        | \$158.66 |
| HyLife (prev. day) | \$157.30 |
| Britco (prev. day) | \$159.44 |
| TCP/BP2            | \$158.66 |

**BoC Rate (Noon) prev. day**  
\$1.2422 CAD / \$.8050 USD

## Cash Prices Week Ending January 13, 2018

|             |              |
|-------------|--------------|
| Signature 3 | 154.62/70.14 |
| Signature 4 | 150.03/68.05 |
| Signature 5 | 152.33/69.10 |
| h@ms Cash   | 150.83/68.42 |
| HyLife      | 150.82/68.41 |
| Britco      | 142.16/64.48 |
| TCP/BP2     | 140.91/63.92 |

## 2017 Top-Up Estimate

\$4.22/ckg (call for details)

ISO Weans \$74.91 US Avg.  
Feeder Pigs \$82.20 US Avg.

**Forward contract prices opened mixed this morning.** US cash markets are at a critical point in the context of trade so far in 2018 with year-to-date gains exceeding \$10.00 USD/cwt or nearly 20% of their value. However, Friday's trade represented the first day where packers lowered their bids sharply, indicating that they may have reached a threshold where they wanted to protect their margins as opposed to maintaining production levels. After a slow start to the new year, pork product prices have made some gains with hams and bellies contributing to a \$1.00/cwt increase in the pork cut-out. Lean hog futures are still cautious after last week's correction, but are starting this week with modest gains. Export demand concerns are a primary cause for the market's hesitancy as negotiations on NAFTA are not going smoothly which puts the uninterrupted trade with Mexico (the largest buyer of US pork products) at risk.

**Canadian delivered soymeal prices opened higher this morning.** US soybeans are trading higher this morning on the first trading day of this holiday-shortened trading week (US). Markets were closed yesterday to observe Martin Luther King Day. Interestingly, markets traded a bit higher following Friday's USDA reports too, and even though the ending stocks estimates came in lower than expected, they were still raised from the December numbers and confirmed good supplies. All told, production came in at 4.392 billion bu. on a slightly lowered 49.1 bpa yield, while ending stocks are at 470 million bu., the highest going back to 2010. Brazil and Argentina beans came in slightly lower than the average pre-report estimate, but still reside among record highs as no weather damage has substantially impacted assessments yet.

**US corn futures opened higher this morning.** Corn production and ending stocks came in higher than the pre-market estimates, so why did the futures values climb following the release of what could be considered a bearish fundamental report? Ideas making the rounds suggest the funds were a little misplaced in their positions and also that some short covering (and/or profit taking) took place as traders bought back at a price they thought was low (or works within their strategy). While probable, the explanations are largely speculative even if we can observe buying activity. The fundamentals remain bearish, exports poor, and ending stocks of corn in the USA are pegged at 2.477 billion bu, the highest going back to 2010.

| Fixed Forward Range (at opening) | Jan | Feb              | Mar              | Apr              | May              | Jun              | Jul              | Aug              | Sep              | Oct              | Nov              | Dec              |
|----------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5               |     | 157.10<br>157.44 | 153.79<br>161.33 | 161.23<br>161.34 | 163.36<br>177.40 | 175.32<br>186.80 | 178.32<br>183.07 | 175.95<br>181.77 | 154.18<br>167.95 | 151.48<br>155.16 | 134.68<br>145.85 | 133.68<br>137.41 |
| Soymeal Wpg/S. Man Delivered     | 426 | 426              | 426              | 436              | 436              | 439              |                  |                  |                  |                  |                  |                  |

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STRENGTH IN NUMBERS

