

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 17, 2018

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

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

## US Slaughter

466,000	Tuesday
426,000	Year Ago

## Daily Prices

W. Corn Belt	\$69.97
National	\$72.36
Iowa/S. MN.	\$70.52
Signature 5	\$159.40
HyLife (prev. day)	\$158.21
Britco (prev. day)	\$160.17
TCP/BP2	\$159.40

BoC Rate (Noon) prev. day  
\$1.2419 CAD / \$0.8052 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 moved higher to start the week with last week's drop appearing to be the anomaly in the nearly uninterrupted bullish trend seen so far this year. The pork carcass cut-out was weaker, but when Monday's unreported trade is taken into consideration (due to Martin Luther King Day), gains have been realized that have taken values to the highest levels in just over a month. The pork carcass cut-out has struggled to move higher as loins are down 13% compared to last year while hams and bellies are trading at near-equivalent values to one year ago. Nearby lean hog futures surged higher yesterday with traders seeing influence from negotiated cash prices that briefly traded at a premium to the February contract. While traders are still cautious about the ongoing renegotiation of NAFTA, domestic demand continues to make gains and the added packer capacity will likely result in a larger share of the pork dollar going to the producer. In other news, the Canadian dollar fell almost a half cent US following this morning's 9:00AM (Central) announcement by the BoC to raise the overnight rate target to 1.25%. The weakness is likely stemming from fears regarding reduced consumer spending, debt-servicing and reduced new home purchases.

**Canadian delivered soymeal prices opened higher this morning.** Fund repositioning and short covering provided support to the trade immediately following and for one full session after the release of the WASDE report on Friday. Pressure has returned to the market today and many analysts suggest South American weather and the US export pace (among other demand indicators like crush pace) will drive pricing in the short term. On that note, NOPA crush data show the December crush came in higher than the record set back in Dec 2013. On the bearish side, export inspections were higher than last week, but lower than last year, and production gains in Brazil are expected to offset production challenges in Argentina; production from the region is estimated to come in 19 million bushels higher than last year.

**US corn futures opened higher this morning.** Strength in the US corn trade is thought to be a function of continued fund buying as the large firms attempt to rebalance portfolios in the wake of the latest USDA data release. The large funds are estimated to be net-short over 200,000 contracts and if they decide to exit these positions in large blocks, the trade could see some support. However, large supply estimates will likely keep the trade range-bound, and it continues to hover around the \$3.50 USD/bu. mark (March contract). There is talk second crop in Brazil may not plant as much corn which would be supportive. But it would likely take production losses in both hemispheres to move the trade substantively higher.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5		158.12 158.46	154.52 162.10	161.92 162.03	164.44 178.54	176.45 187.97	177.91 182.63	175.61 181.41	153.96 167.66	151.53 155.20	134.46 145.59	133.45 137.17
Soymeal Wpg/S. Man Delivered	427	427	427	437	437	440						

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STRENGTH IN NUMBERS

