



# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 23, 2018

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

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

**Forward contract prices opened higher this morning.** US cash markets traded near steady yesterday with pork product prices providing some stability in a market that has been quite volatile for the last few weeks. US packers are dealing with much smaller operating margins than they have been for the last two years which has supported higher prices for hogs. The latest supply projections put 2018 US production at 5.1% higher than 2017 levels which will apply negative price pressure. However, lean hog futures surged to their highest level in a month with the October and December contracts hitting contract highs. When combined with the impact of the recently lower Canadian Dollar, forward prices are now trading at their highest levels seen so far since their initial offering. Producers should cover one third of their production from May – December at current prices, which would secure an average price that is \$2.00 CAD/kg higher than the average cash price experienced in the same timeframe of 2017. The heavy supply of pork that is expected for the second half of the year is expected to pressure prices lower than those seen last year.

**District meetings start next week (see below). We hope to see you soon!**

## Canadian delivered soymeal prices opened even this morning.

With rain forecast for Argentina that is poised to be more than just trace, the US soybean market has finally turned lower. Prices are still amid highs not seen since last August, but the trend upward has been stalled for now after seeing steady support since the beginning of the month. Export sales released this morning for week ending February 15 showed bean sales at a marketing year low (a net loss of 109 MMT on the week in fact) with meal coming in near the middle of the range for a neutral response. The Outlook Conference posted the first estimates for 2018/19 in Washington yesterday and ending stocks are estimated at 460 million bu.; the number came in lower than market expectations but is still historically amid the highs.

**US corn futures opened lower this morning.** US corn futures have also turned lower after weeks of support. Net export sales came in above 1.5 MMT which is supportive for the trade, but the figure is down 21% compared to last week and 12% lower than the 4-week average. South American rain forecast for the weekend is adding to the bearish tone as is news from the USDA's Outlook Conference in Washington D.C. that suggests 2018/19 carryout will come in around the 2.2 billion bu. mark when the market was expecting 2.1 billion on average. 2017/18 carryout is estimated at 2.3 billion compared the WASDE's current 2.4. While the 2017/18 estimate is lower, it is important to remember 2 billion bu. in ending stocks still represents a very healthy supply situation.

US Slaughter	
463,000	Thursday
443,000	Year Ago
Daily Prices	
W. Corn Belt	\$63.58
National	\$70.91
Iowa/S. MN.	\$63.71
ML Signature 5	\$154.04
HyLife (prev. day)	\$158.41
TCP/BP2	\$154.04
BoC Rate (Noon) prev. day \$1.2709 CAD / \$0.7868 USD	
Cash Prices Week Ending February 24, 2018	
Signature 3	148.83/67.51
Signature 4	161.13/73.09
Signature 5 Brandon	154.98/70.30
h@ms Cash	153.48/69.62
HyLife	n/a
TCP/BP2 Moose Jaw/Langley	160.98/73.02
2018 Top-Up Estimate	
\$2.07 /ckg (call for details)	
ISO Weans	\$68.21 US Avg.
Feeder Pigs	\$83.99 US Avg.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #5			155.57 156.11	161.83 176.86	174.74 186.46	179.83 184.67	177.98 183.92	157.13 171.16	154.18 157.93	137.25 148.61	136.23 140.02
Soymeal Wpg/S. Man Delivered	516	516	516	516	517	517					

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2018 District Meetings	Date	Time	Location
Swift Current	Tuesday, February 27	12:00 Noon	Days Inn-905 North Service Road East, Swift Current
Saskatoon	Wednesday, February 28	12:00 Noon	Comfort Suites - 203 Bill Hunter Ave., Saskatoon
H.B. Marketing & MB West	Thursday, March 1	2:00 P.M.	Glesby Centre -11-2nd St. NW, Portage La Prairie
Manitoba East	Friday, March 2	12:00 Noon	Smitty's Restaurant - Clear Spring Centre, Steinbach
Heartland Marketing District	Thursday, March 8	2:00 P.M.	Starbuck Community Hall - 25 Main Street, Starbuck