



Hog Margin Outlook

Meeting Your Marketing Needs

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

Friday, April 13, 2018

Forward contract prices opened higher this morning. US cash markets made strong gains in yesterday's trade with packers adding \$1.50 USD/cwt to their bids in most reporting regions. Daily slaughter was maximized at an estimated 465,000 hogs as packers are focused on filling their weekday production requirements and reducing (or cutting out) their Saturday slaughter. Wholesale pork prices were stable at around the \$66 USD/cwt level, but this is the lowest level that the pork carcass cut-out has traded in three years. Lean hog futures have staged an impressive recovery across almost all offered contracts over the last week and have regained about 7% of their value. The summer months are trading at a larger than average premium to the current cash market with traders optimistic that competition between packers will increase in the summer when supplies seasonally wane. Producers should consider forward contracting their May production as they currently have an opportunity to secure prices nearly \$40 CAD/kg higher than the current cash market. In addition, given the abundant supplies and risks to export demand, producers should secure profitable prices on half of their Sep – Dec hog production at current forward prices.

Canadian delivered soymeal prices opened even this morning. Yesterday, it was implied that soybean sales came in at over 1.5 MMT for both crop years. In fact, the 1.5 MMT figure represented the old crop year only so, instead of being within expectations, it represented the best one-week sales number for this time of year in over 20 years. Net sales came in over 2.4 MMT which was a bullish surprise for US traders. A slow planting pace in the south, some drought concerns in the US Midwest, and ongoing concerns about deteriorating South American supplies would normally be providing additional support to the trade. However, the market is trading lower to finish the week, perhaps suggesting it is a little overdone presently.

US corn futures opened lower this morning. Like beans, US corn futures are trading lower as of this writing, but they still are residing amid the highs of the new range that was established in early March. While demand dropped off in yesterday's export sales report, overall demand for US corn remains high and is keeping the trade at current levels. However, there is still a very large supply of US corn domestically, the will likely keep the upside in check for now. The market will simply have to wait for more planting progress information to determine its next direction; the first look at new crop supply estimates will not be released in the WASDE report until May 10.

US Slaughter	
465,000	Thursday
443,000	Year Ago
Daily Prices	
W. Corn Belt	\$50.06
National	\$56.94
Iowa/S. MN.	\$50.14
ML Signature 5	\$121.45
HyLife (prev. day)	\$126.12
TCP/BP2	\$121.45
BoC Rate (Noon) prev. day \$1.2596 CAD / \$0.7939 USD	
Cash Prices Week Ending April 14, 2018	
Signature 3	110.14/49.96
Signature 4	127.57/57.87
Signature 5 Brandon	118.85/53.91
h@ms Cash	117.35/53.23
HyLife	n/a
TCP/BP2 Moose Jaw/Langley	121.54/55.13
2018 Top-Up Estimate	
\$5.14/ckg (call for details)	
ISO Weans	\$33.14 US Avg.
Feeder Pigs	\$69.11 US Avg.

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
TCP/BP2		153.40 163.70	165.56 173.23	168.95 173.61	163.10 173.79	146.00 154.77	142.11 145.41	130.32 138.09	125.47 131.41	126.19 136.46	136.03 143.07
Soymeal FOB Langham	558										

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