

Hog Margin Outlook

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Monday, May 07, 2018

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

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

Forward contract prices opened mixed this morning. US regional cash markets held steady in last week's trade and are following the direction of the wholesale pork market which was largely unchanged from the previous week. The weekly slaughter was estimated by the USDA at 2.332 million hogs or about 2.8% larger than last year's levels. Most slaughter plants are having no difficulty sourcing hogs for their planned weekday production schedules, but most packers have eliminated their weekend production completely. The latest pork trade data came out last week and showed total US pork exports were up 2.7% from year ago level, nearly matching the gains in US pork production. However, there was a significant change in the destination of these sales, with a decline in volume to the largest markets for US pork (Mexico (-4.2%) and Japan (-13.4%)) being offset by gains into South Korea (+41%). Lean hog futures have been on a lower trend over the last 2 weeks, with deferred month contracts losing value for 9 of the last 10 days. Producers should view any gains in the October and December contracts as a hedging opportunity as this coming fall and winter are expected to yield record large production which could pressure prices significantly below seasonal levels.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower to start the week following some developments over the weekend. The talks China and the US were having regarding the Chinese trade surplus did not materialize into anything concrete and may have established hard line fronts that will be difficult to overcome with ease. US soybean sellers were hoping for more progress as beans have been targeted by the Chinese for retaliatory tariffs. Weather patterns are shifting in South America and will move into southern Brazil, relieving Argentina of flooding rain and providing Brazil with much needed moisture. The May WASDE report will be released Thursday and provide market participants with the first look at supply and demand estimates for the new crop.

US corn futures opened lower this morning. Like beans, US corn futures are trading lower. South American weather could pressure if the desired results are achieved by a system of moisture moving out of Argentina and into Brazil. Thursday's WASDE report, which will be released mid-trade at 12:00 noon, Eastern, will provide a first glimpse of new crop supply and demand estimates. While old crop numbers are bearish, the new crop is expected to see trend line yields on reduced acreage which could prove to be much more supportive. Crop progress is also supportive at this time and estimates for today's report are expected to show approximately 30% of the crop is planted against a 47% average at this time of year.

US Slaughter	
2.332 mil.	Last Year
2.268 mil.	Year Ago
Daily Prices	
W. Corn Belt	\$59.06
National	\$64.90
Iowa/S. MN.	\$59.19
ML Signature 5	\$143.70
HyLife (prev. day)	\$146.93
TCP/BP2	\$143.70
BoC Rate (Noon) prev. day	
\$1.2861 CAD / \$0.7775 USD	
Cash Prices Week Ending May 5, 2018	
Signature 3	138.42/62.79
Signature 4	146.87/66.62
Signature 5 Brandon	142.65/64.71
h@ms Cash	141.15/64.03
HyLife	146.06/66.25
TCP/BP2 Moose Jaw/Langley	138.90/63.00
2018 Top-Up Estimate	
\$4.82/ckg (call for details)	
ISO Weans	\$30.97 US Avg.
Feeder Pigs	\$64.00 US Avg.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		160.41 168.38	163.92 168.83	162.53 168.55	142.27 155.93	139.65 143.47	125.39 136.95	124.35 128.21	127.06 138.70	139.16 141.24	141.54 143.27	144.59 154.90
Soymeal Wpg/S. Man Delivered	547	550	553	546	547	545						

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