



Hog Margin Outlook

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Thursday, May 11, 2017

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

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

US Slaughter	
442,000	Wednesday
434,000	Wednesday (year ago)

Daily Prices	
W. Corn Belt	\$70.08
National	\$69.03
Iowa/S. MN.	\$70.08

Signature 5	\$171.57
HyLife (prev. day)	\$166.79
Britco (prev. day)	\$175.23
TCP/BP2	\$171.57

4-Mo. Sig5 Fwd	\$ 176.64
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BoC Rate (Noon) prev. day	
\$1.3672 CAD / \$0.7314 USD	

Cash Prices Week Ending May 6, 2017	
Signature 3	151.54/68.74
Signature 4	152.35/69.11
Signature 5	151.95/68.92
h@ms Cash	150.45/68.24
HyLife	152.90/69.35
Britco	137.31/62.28
TCP/BP2	142.41/64.60

ISO Weans	\$30.88 US Avg.
Feeder Pigs	\$54.75 US Avg.
#1 Export Sows (+500lbs.)	\$54.50 /cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		179.81 187.65	180.25 187.36	174.30 183.02	162.06 170.99	159.10 162.06	141.33 153.51	138.78 147.31	145.58 154.04	154.66 157.92	157.97 163.24	163.27 164.13
Soymeal Wpg Delivered.	469	466	466	464	468	478						

Forward contract prices opened mixed this morning. US cash markets continued their gains in yesterday's trade and are expected to maintain this bullish trend again today. With daily increases in packer bids averaging higher than \$1.50 USD/cwt per day, cash prices have added 25% of their value in the last two weeks. In doing this, estimated packer operating margins have shrunk, but still remain profitable at more than \$20 USD/hog. Hog supplies are still abundant with this week's slaughter on pace for a 3% increase over year ago numbers. With the addition of two new plants coming on stream later this year, packers' margins are expected to be tighter than they have been in recent years which is supportive to cash prices. However, when the hog supply hits its peak in November/December, it is unlikely that packers will be operating with negative margins, and the constraint to prices will be the 4-5% increase in pork that needs to clear the market. Producers can currently secure prices of \$150 CAD/kg over this period which is 25% higher than what cash prices were in this same period last year.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading mixed, mirroring the 'message' in yesterday's WASDE report. On the one (supportive) hand, new crop ending stocks came in lower than the average pre-report expectation at 480 million bu. compared to the 584 million bu. average (and over 700+ million at the upper end). Old crop saw support coming from an increase in exports pushing ending stocks for 2016/17 down 10 million bu. On the other (pressuring) hand, aggressive marketing outlooks following a jump in Brazil supply is thought to ultimately pressure further out (111.6 MMT in production compared to the 111.3 average estimate; CONAB projects 113 MMT). However, until the beans start to move (and be crushed), relatively high prices are exacerbated by a low CAD.

US corn futures opened lower this morning. A drawdown in global new crop ending stocks became evident yesterday, but corn continues to move lower. Mostly, this can be attributed to thoughts that the US supply will be ample for the next two seasons. Old crop came in slightly lower than average expectations but still above the very healthy 2 billion bu. mark at 2.295 billion bu. New crop ending stocks are pegged at 2.110 billion bu. compared to a 2.129 billion bu. estimate. There is a bit of uncertainty in South America, however, with the USDA suggesting 96 MMT in production is possible while CONAB showed a more modest 92.8 MMT. However, analysts are still cautioning against a 5% drop in yield that could result in ending stocks heading lower than 1.5 billion bu. in 2017/18.

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance and **all pricing is subject to verification**. Any unauthorized distribution is strictly prohibited.

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