



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 19, 2017

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

www.hamsmarketing.ca

Hog Prices: ↑↓ Soymeal: ↓

Corn: ↑ CDN Dollar: ↑

Forward contract prices opened mixed this morning. US negotiated cash markets are ending this week lower, putting an end to the string of gains that have taken packer bids 20% higher over the last three weeks. Packers have been willing to pay more for hogs as wholesale pork prices have strengthened to their highest level since last July, resulting in estimated operating margins of nearly \$30 USD per hog. The latest weekly pork export sales data suggests a slowdown in volume from recent weeks which may be a factor in the late-week downturn in hog and pork values. Deferred month lean hog futures have struggled to make gains over the last two weeks, but they are still valued 20% higher than last year's cash market over the fall and winter months. With expectations of an additional 4% more pork coming in the last half of 2017 compared to 2016, producers should focus their attention on covering the Sep – Feb production with consideration for hedging as much as half of their production in this timeframe over the next few weeks.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher this morning following the previous session's double digit losses. Yesterday's weakness in the complex was initiated by developments in Brazil where a political crisis sent the local currency (the real) tumbling lower. The result was expectations of increased farmer selling and an eminent influx of beans onto global markets. To be sure, the political developments are far from resolved and the currency has not yet completely stabilized. However, the 'extra' supply of beans (or, the expectations of relatively extra supplies) appears to be priced in for now. Supportive factors include thoughts of too much rain in Argentina (slowing harvest and potentially impacting quality) as well as strong export sales; cumulative US sales are at 102.8% compared to the 96.9% forecast.

US corn futures opened higher this morning. The news today would suggest that the US corn futures trade could be headed for another leg lower. However, US corn futures have regained some strength to finish the week despite the headlines. Current stories include news that 989,630 MT of corn have been sold from a Chinese state reserve¹ MMT initial offering. As well, there is talk that the US could see a 15% drop in exports due to competition from a large Brazil crop, not to mention ongoing commentary on previous Mexican customers turning to Brazil for supplies (heightened now that NAFTA renegotiation talks loom). A slow Argentine harvest, slower US planting, and ongoing US yield reduction scenarios are supportive.

US Slaughter	
436,000	Thursday
400,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$71.11
National	\$75.31
Iowa/S. MN.	\$71.11
Signature 5	\$179.68
HyLife (prev. day)	\$180.04
Britco (prev. day)	\$177.02
TCP/BP2	\$179.68
Sig5 - Full Range	\$ 161.07
BoC Rate (Noon) prev. day \$1.3611 CAD / \$0.7347 USD	
Cash Prices Week Ending May 20, 2017	
Signature 3	177.77/80.64
Signature 4	178.24/80.85
Signature 5	178.01/80.74
h@ms Cash	176.51/80.06
HyLife	178.05/80.76
Britco	173.47/78.69
TCP/BP2	168.08/76.24
ISO Weans	\$31.08 US Avg.
Feeder Pigs	\$56.42 US Avg.
#1 Export Sows (+500lbs.)	\$56.50 /cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		194.95 188.91	184.41 191.00	175.30 183.92	162.56 169.22	157.33 160.26	138.75 150.77	136.24 144.65	142.63 151.06	151.67 154.92	155.45 160.71	160.81 161.67
Soymeal Wpg Delivered.	n/a											

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.

Please note that h@ms Marketing Services will be **closed Monday, May 22** for Victoria Day.

Normal business resumes Tuesday, May 23.

Also note the Four Month Forward Contract average price on the HMO has been replaced with a 'Full Range' value.