



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 25, 2017

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

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Hog Prices: ↓ Soymeal: ↓

Corn: ↓ CDN Dollar: ↑

US Slaughter	
441,000	Wednesday
433,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$71.28
National	\$76.47
Iowa/S. MN.	\$71.36
Signature 5	\$179.28
HyLife (prev. day)	\$181.56
Britco (prev. day)	\$175.67
TCP/BP2	\$179.28
Sig5 - Full Range	\$ 158.62
BoC Rate (Noon) prev. day \$1.3460 CAD / \$0.7429 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	\$29.12 US Avg.
Feeder Pigs	\$51.71 US Avg.
#1 Export Sows (+500lbs.) \$55.50 /cwt. (Tagged)	

Forward contract prices opened lower this morning. US cash markets were not able to sustain the gains experienced on Tuesday as packers followed the lead of wholesale pork prices which turned lower yesterday. All cash market regions experienced a modest decline with packers unwilling to increase their bids for the uncommitted cash market supplies. After hitting the highest level since July 2016 at over \$90 USD/cwt, the pork carcass cut-out moved lower with weakness coming from the rib and ham primal cuts. Adding to the bearish tone, nearby lean hog futures were unable to hold on to their new contract highs and closed lower on the day, a feature that is generally viewed as a technical signal of a market top. Producers without protection in the summer months should consider covering 25% of their July – August production at current prices which would mitigate some of the risk at favourable prices. However, for those producers that have not covered a portion of their Sep – Feb production, this timeframe should be the focus.

Canadian delivered soymeal prices opened lower this morning. US soybean meal futures are lower on rumors of competition from cheap corn alternatives while beans are trading higher. Overnight support developed on talk of more demand from China and more demand for US beans generally as the US dollar has weakened. Pressure comes from talk of heavy production and more beans on the way from S. America, apparently, where production estimates from S. America are approximately 1 MMT higher than USDA estimates in both countries. However, supplies have been largely priced in so far. It is important for Canadian buyers, therefore, to not lose sight of the foreign exchange component. For example, if the CAD was trading at levels seen last year (77 cents USD), Canadian spot loads (delivered to Winnipeg/S. Man) would be hovering around \$430 CAD/MT.

US corn futures opened lower this morning. While the market is dealing with wetter than ideal weather in some high-production states, next week's Crop Conditions report will be welcome news for those seeking new information. However, a recently published article from an extension university in the US suggests, intuitively, that there is only poor correlation between initial crop reports and final yield. As such, while the market awaits the important yield number (especially this year), traders will likely have to wait for subsequent reports published after mid-July where the correlation between crop condition and final yield estimates tighten up. In the meantime, large supplies are pressuring while ideas suggesting a large global draw-down are supportive further out.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		189.45	181.15 189.16	175.40 183.93	158.86 167.58	155.75 158.65	136.96 148.85	134.48 142.80	140.03 148.35	148.95 152.16	152.73 157.92	158.00 158.84
Soymeal Wpg Delivered.	446	443	437	442	443	458						

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