



# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 01, 2017

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

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Hog Prices: ↑Soymeal: ↔

Corn: ↓ CDN Dollar: ↓

## Forward contract prices opened mostly higher this morning.

US cash markets rallied sharply in yesterday's trade, showing the market that there is still demand strong enough to offset the huge supply. Pork production for the second quarter of 2017 (April – June) is on pace to exceed year ago levels by 5%. While prices have moved higher over this timeframe, pork inventories in US cold storage have increased at a faster than average pace for this time of year. Most analysts expect to see supplies continue to build, which is expected to put heavy pressure on prices for the fall timeframe unless export or domestic demand improves at an even quicker pace. However, export markets have inherent risks, as a recent issue with China illustrates. The Canadian Food Inspection Agency (CFIA) reported that an Olymel shipment of pig's feet to China had Ractopamine residue in it, which could put future exports from that plant at risk. With near certainty of large supply increases and increased uncertainty in demand, producers should take action in order to mitigate some of their price risk for the Sep – Feb timeframe with the profitable forward contract prices that are available.

## Canadian delivered soymeal prices opened even this morning.

While most of the news appears bearish, there are at least some cautioning against thinking there is much more room to move lower. For now, there is talk of Chinese cancellations amid poor crush margins and US weather that, currently, is mostly favourable for the next week or so. However, there is news that Argentine port workers began a three-day strike on Wednesday and some uncertainty regarding growing weather in the US further out. As well, the market is flirting with oversold levels and there has been an observed summer rally since at least 2012. While history does not provide any predictive certainty, there are ideas the market is poised for a move higher. Currently, however, 'summer' futures prices are showing very little premium for this time of year and freight rates for Canadian meal deliveries are performing similarly.

## US corn futures opened lower this morning.

In an odd twist, news in the corn market is generally bullish, but the futures trade is pushing lower; the exact opposite scenario as found in beans today. The ECB is experiencing a little too much moisture but northern WCB is a bit on the dry side. There are concerns that a poor(er) performing US production will exacerbate the expected draw down in stocks over the next year, and ideas that a small(er) acreage and a 165 bpa will lead to a reduction in ending stocks are still making the rounds. In the meantime, US corn futures are trading lower (but within the established range) despite some volatility in the past couple sessions.

US Slaughter	
438,000	Wednesday
441,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$74.24
National	\$77.11
Iowa/S. MN.	\$74.31
Signature 5	\$184.24
HyLife (prev. day)	\$182.78
Britco (prev. day)	\$183.47
TCP/BP2	\$184.24
Sig5 - Full Range	\$ 161.67
<b>BoC Rate (Noon) prev. day</b> \$1.3500 CAD / \$0.7407 USD	
Cash Prices Week Ending May 27, 2017	
Signature 3	176.58/80.10
Signature 4	182.50/82.78
Signature 5	179.54/81.44
h@ms Cash	178.04/80.76
HyLife	181.49/82.32
Britco	177.75/80.63
TCP/BP2	178.01/80.74
ISO Weans	\$29.51 US Avg.
Feeder Pigs	\$52.86 US Avg.
#1 Export Sows (+500lbs.)	\$52.00 /cwt. (Tagged)

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		191.33 197.89	183.49 192.06	163.13 171.90	159.94 162.85	140.62 152.57	138.12 146.48	143.05 151.41	152.02 155.24	156.58 160.82	160.90 161.75
Soymeal Wpg Delivered.	435	429	434	436	452	454					

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