



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, June 02, 2017

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

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

Forward contract prices opened mixed this morning. US cash markets moved higher this week with Midwestern regions reporting prices just shy of \$75 USD/cwt. With the pork carcass cut-out hitting its highest level in more than 2 years, packer operating margins are estimated at more than \$30 US per hog. With the hog supply approaching its tightest time of the year, packer operating margins are expected to narrow as competition for the declining supply picks up. However, there are indications of slowing export sales volumes, which could trigger a downturn in pork values. Last week's US pork export sales were well under year ago levels, as sales to China fell to 1/3 of the volume of pork moved in the same week last year. After hitting contract highs in yesterday's trade, the summer month lean hog futures closed lower, suggesting that we have already seen a near-term top. Producers that have not hedged their Sep – Feb production should consider covering 50% of their intended production at current (profitable) prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are finishing the week off stronger following news that showed old crop exports were much stronger than expected for the marketing year that will end in four weeks. If exports remain robust, exports will meet the USDA estimate set for the marketing year; there are expectations that export estimates will be increased for 2017/18. On the bearish front, there are more private estimates from Brazil suggesting as much as 115 MMT in crop production is possible compared to the 111.6 MMT USDA estimate and an unofficial private 'consensus' that 113 MMT is closer to the actual potential. As well, acreage in Brazil is expected to increase next year. In the meantime, the market is in an oversold condition suggesting bullish news (like strong exports for example) could initiate a short-term turnaround.

US corn futures opened higher this morning. With the exception of the Dakotas that are a bit on the dry side, many corn producing states are welcoming a more cooperative forecast, especially in the ECB where very wet weather was recently experienced. Warmer, drier weather is expected according to the US National Weather Service along with a return to normal temperatures by mid-June. China continues to sell corn from state reserves and yesterday's auction sold 93% of the 3.4 MMT offered. A private firm has estimated Brazil's corn production to come in at 99.7 MMT compared to the USDA's 96 MMT estimate. Despite this, the trade is still concerned that US crop area and yield will be lower in the final analysis and, combined with the expected draw down in stocks, the market is harbouring a supportive tone.

US Slaughter	
438,000	Thursday
434,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$74.18
National	\$77.26
Iowa/S. MN.	\$74.65
Signature 5	\$184.35
HyLife (prev. day)	\$183.58
Britco (prev. day)	\$184.31
TCP/BP2	\$184.35
Sig5 - Full Range	\$ 161.51
BoC Rate (Noon) prev. day \$1.3500 CAD / \$0.7407 USD	
Cash Prices Week Ending June 3, 2017	
Signature 3	180.46/81.86
Signature 4	183.93/83.43
Signature 5	182.20/82.64
h@ms Cash	180.70/81.96
HyLife	182.29/82.69
Britco	176.31/79.97
TCP/BP2	179.54/81.44
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		188.24 194.82	181.47 190.07	163.65 172.44	160.29 163.21	141.23 153.20	138.73 147.11	143.54 151.91	152.52 155.75	155.61 160.83	160.65 161.50
Soymeal Wpg Delivered.	439	433	439	441	457	459					

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