



# Hog Margin Outlook

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Thursday, June 08, 2017

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Hog Prices: ↑ Soymeal: ↑

Corn: ↑ CDN Dollar: ↓

US Slaughter	
439,000	Wednesday
434,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$77.29
National	\$79.54
Iowa/S. MN.	\$77.32
Signature 5	\$190.81
HyLife (prev. day)	\$188.43
Britco (prev. day)	\$190.79
TCP/BP2	\$190.81
<b>BoC Rate (Noon) prev. day</b> \$1.3492 CAD / \$0.7411 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	182.81/82.92
Britco	176.31/79.97
TCP/BP2	179.54/81.44
ISO Weans	\$23.70 US Avg.
Feeder Pigs	\$52.06 US Avg.

**Forward contract prices opened higher this morning.** US cash markets moved higher in yesterday's trade and is now trading at the highest levels since July of last year. With pork production averaging more than 4% higher than levels at this time last year, domestic and export demand have made significant improvements in order to support the gains we have seen over the last 6 months. However, there are some early indications that export demand may be slowing down. US exports to China have struggled to see improvement and declined about 7% in April compared to year earlier volumes. Chinese pork prices have reportedly fallen 22% since last year, making it less economical to import pork from the US. Increasingly, the US is reliant on growth from Mexico to clear the market of its heavy supplies, but the re-opening of the North American Free Trade Agreement (NAFTA) and talk of a tax applied to import to the US makes some analysts and traders nervous about whether the strong performance can be maintained.

**Canadian delivered soymeal prices opened higher this morning.** There is some concern that recent weather patterns in the US are causing (or could cause) some crop stress if timely rain doesn't develop soon. Iowa, for example, is expected to see temperatures in the mid-90°F range until next Friday with very little (if any) rain in the forecast. The funds hold a large net short position and there is talk a massive exit could develop, especially if there are fears of a deteriorating crop which could send the trade higher. Beans probably have a bit more time than corn stress-wise, but a rally in wheat and corn would likely support soybeans. The WASDE report will be released tomorrow and while the range of pre-report ending stocks estimates for old crop are coming in at a relatively tight 58 million bu. near the 400 million mark., new crop ranges between 435 and 612 million bu.

**US corn futures opened higher this morning.** High temperatures coupled with a lack of timely rain is prompting talk of preliminary crop damage. Like beans, funds in the US corn market are holding on to a large net short position that could be exited soon, especially if production estimates start to come in lower. To be sure, production estimates are far from certain at this time, but there are ideas that overall acreage will be reduced in the final analysis and the current weather is really not promoting positive crop development which will have impacts further out if corn doesn't get a good start. Declining yield scenarios appear more likely these days and ending stocks could be pushed below 1 billion bu if a 10% decline from trend-line yield develops. To put that into context, the most recent WASDE report showed old crop ending stocks at 2.3 billion bu. while May's estimates pegged new crop over 2.1 billion bu. The July WASDE report will be released tomorrow .

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		189.13 195.64	180.86 189.45	163.05 171.82	159.89 162.80	140.30 152.27	137.80 146.18	143.74 152.11	152.72 155.95	156.48 161.70	161.78 162.63
Soymeal Wpg Deliv- ered.	445	445	450	451	461	463					

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