



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 13, 2017

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

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Hog Prices: ↑↓ Soymeal: ↓

Corn: ↑ CDN Dollar: ↑

| US Slaughter | |
|---|----------------------|
| 411,000 | Monday |
| 425,000 | Monday (year ago) |
| Daily Prices | |
| W. Corn Belt | \$78.73 |
| National | \$80.55 |
| Iowa/S. MN. | \$78.86 |
| Signature 5 | \$192.70 |
| HyLife (prev. day) | \$190.72 |
| Britco (prev. day) | \$193.48 |
| TCP/BP2 | \$192.70 |
| BoC Rate (Noon) prev. day \$1.3415 CAD / \$0.7454 USD | |
| Cash Prices Week Ending June 10, 2017 | |
| Signature 3 | 188.39/85.45 |
| Signature 4 | 188.88/85.68 |
| Signature 5 | 188.63/85.56 |
| h@ms Cash | 187.13/84.88 |
| HyLife | 188.57/85.53 |
| Britco | 182.66/82.85 |
| TCP/BP2 | 182.20/82.65 |
| ISO Weans | \$26.18 US Avg. |
| Feeder Pigs | \$53.13 US Avg. |

Forward contract prices opened mixed this morning. US regional cash prices gained more than \$1.00 USD/cwt in yesterday's trade as strong wholesale pork prices provided packers with the confidence to bid live hog prices higher. The pork carcass cut-out, led by gains in the rib and belly primal cuts, is trading at around \$93 USD/cwt, the highest level in 2 ½ years. Despite the strong support, there is speculation that export volumes are under threat, especially as the US, Mexico and Canada have agreed to re-negotiate NAFTA; formal talks will begin later this summer. Offsetting this bearish risk is the expectation of tighter packer margins putting more money into the hands of producers due to the addition of two new plants coming on stream this fall. These structural changes to the market have the potential to add price volatility and could put producer profitability at risk especially in the early winter timeframe. Producers should look to cover as much as half of their price risk for the Sep – Feb timeframe at current prices.

Canadian delivered soymeal prices opened lower this morning. US soybean futures have recovered somewhat following the bearish reaction to the neutral-to-bearish WASDE report. But while ending stocks estimates for both crops are currently good, the market appears to be adjusting to thoughts that poor crop conditions (new crop) might not allow soybeans to yield as well as professed on Friday. Already, like corn, there is commentary showing what ending stocks could be if yield comes in lower than trendline; for example, a yield 2.5% lower than trend and an increase in acreage by 500,000 acres would see new crop ending stocks come in around 380 million bu. compared to the 495 million bu. estimated in the WASDE report. Fresh acreage news will be released on June 30. More accurate yield estimates will surface when the crop tours begin later this summer.

US corn futures opened higher this morning. Like beans, the US corn futures trade has recovered from the move lower Monday as the new crop, pessimistic-yield camp builds steam. One ag publication has pointed out that a 2.5% reduction in yield from 88 million acres planted (representing a 1 million acre loss due to early weather) would push ending stocks down to 1.418 billion bu., representing a 9.9% stocks-to-use ratio. This would be only the seventh time in 43 years that a stocks-to-use ratio was lower than 10%. There are other scenarios that are much worse. Recall, however, it is still early in the season, crop conditions are only slightly behind the 10-year average at 67%, and there is rain in the forecast. If normal weather materializes, Friday's WASDE report numbers would be a more representative forecast and ending stocks would come in over 2.1 billion bu.

| Fixed Forward Range (at opening) | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
|-------------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 186.15 191.04 | 176.85 185.27 | 161.70 170.31 | 158.53 161.38 | 139.79 151.53 | 137.34 145.55 | 142.01 150.20 | 180.80 153.96 | 155.43 160.54 | 161.73 162.56 |
| Soymeal Wpg Delivered. | 430 | 430 | 436 | 438 | 447 | 449 | | | | | |

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.

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HWY #6 AND RD 236

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