

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 15, 2017

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

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

US Slaughter	
433,000	Wednesday
426,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$83.35
National	\$82.11
Iowa/S. MN.	\$83.65
Signature 5	\$197.16
HyLife (prev. day)	\$191.30
Britco (prev. day)	\$202.08
TCP/BP2	\$197.16
BoC Rate (Noon) prev. day \$1.3209 CAD / \$0.7571 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 cash markets surged higher in trade yesterday, doubling the gains experienced earlier in the week. Packers have gained confidence that their meat margins will remain profitable over the near term, with the pork cut-out rallying to its highest level in 2 ½ years. With some slack production capacity and no immediate threat to profit margins, packers are competing for the limited number of uncommitted hogs in an effort to capture more profits and add new producer relationships ahead of the new plants coming on line in the next four months. However, a larger than average seasonal increase in supplies is expected from the 1st half of 2017 to the 2nd half which helps to explain the stagnant prices of the October and December lean hog futures. Fall and winter month forward contract prices have traded within a \$5.00 CAD/kg range, while the summer contracts have gained about \$9.00 CAD/kg. Producers with price protection in the Sep – Feb timeframe should wait before adding additional protection, as added volatility may provide better pricing opportunities in the next few weeks.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading a bit lower following ideas that rain in critical growing areas will provide relief to crops that are in less than ideal condition. There are warnings to buyers, however, that the pressure could be short lived. Support could return quickly if the rain doesn't provide enough relief and/or the forecast heat-wave following the rain is more intense or longer in duration than what the crop can handle. It's not a disaster scenario yet and there is a lot of time between now and harvest. Regardless, the weather is driving the current market and news such as Rosario Grains Exchange raising Argentine production by 300,000 MT is having minimal impact. If the Argentine announcement is influencing the market today, it is not expected to be a long-term development.

US corn futures opened lower this morning. An interesting article this week showed (intuitively) that large deviations from yield converge with very poor (or very ideal) weather over 122 growing seasons. For this particular article, the authors suggested more frequent deviations are likely; the question of 'when', however, remained. Broadly, it seems that articles like this appear more frequently when crops start off poorly and when the weather is driving the market, but no one knows for sure if the 2017/18 corn crop will substantially deviate from the trendline this year. Looking forward, however, there is no small amount of space dedicated to suggesting price support could be ahead given the poor start, recently challenging weather, and ideas of a global stocks drawdown further out. In the meantime, nearby US corn futures are trading lower in the newly established range.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		187.49 192.39	174.92 183.37	159.73 168.37	156.67 159.54	138.86 150.65	136.40 144.65	140.94 149.15	149.75 152.91	154.34 159.46	159.65 160.48
Soymeal Wpg Deliv- ered.	429	429	435	437	446	449					

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