

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 19, 2017

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

www.hamsmarketing.ca

Hog Prices: ↑ Soymeal: ↑ ↓

Corn: ↓ CDN Dollar: ↑

Forward contract prices opened higher this morning. US negotiated cash markets rallied to their highest level of the year, corresponding with likely one of the lowest hog slaughter weeks of 2017. Packers added close to 7% to their cash bids as uncommitted live hog supplies are becoming scarce, while at the same time, packer profitability is still very good for this time of year. However, the current strong cash market performance may be on the verge of a turning point as USDA supply forecasts have pork production adding another 200 million pounds over the next 3 months which would make this the largest supply increase from June to September in nearly 20 years. Adding to the bearish news is the most recent weekly export sales volume which came in at the lowest weekly total so far this year and was down 15% from the same week in 2016. While the fall and winter month lean hog futures prices are down from the recent highs put in last week, producers without price protection should consider covering up to half of their September – February production at current prices.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading higher while the meal market is trading mixed. Some rain over the weekend was welcome in the Eastern Corn Belt, but there were large areas of the Western Corn Belt that were entirely missed. Forecasts for continuing dry weather in the WCB will likely be supportive. Traders will be looking at today's Crop Conditions report for some early direction; there are expectation that there will be a slight improvement in the good/excellent category compared to the slight downgrade last week. It is still a bit early to project accurate production estimates with the current information, but not for lack of trying. Current new crop ending stocks estimates range between ~300 and over 700 million bu. depending on the model.

US corn futures opened lower this morning. The move lower, however, doesn't really fit with the bullish outlooks in either the medium or longer terms. First, the weather in a large swath of the WCB is forecast to be dry which doesn't bode well for areas needing rain. Second, the crop is expected to pollinate later than normal, pushing the pollinating phase into a high heat timeframe which could make things difficult. Third, current imagery forecasting is suggesting 166.9 bpa compared to the current 165 to 168 bpa range; in all cases, 2017/18 ending stocks estimates would be lower than current estimates. There is also a general consensus that stocks will be drawn down over the next year. While crop conditions are expected to slightly improve over last week's 67% good/excellent rating, it may not eclipse the 71% average let alone the 75% rating last year.

US Slaughter	
2.179 mil.	Last Week
2.152 mil.	Last Week (year ago)

Daily Prices	
W. Corn Belt	\$85.16
National	\$84.07
Iowa/S. MN.	\$85.32
Signature 5	\$202.00
HyLife (prev. day)	\$196.53
Britco (prev. day)	\$206.47
TCP/BP2	\$202.00

BoC Rate (Noon) prev. day
\$1.3232 CAD / \$0.7557 USD

Cash Prices Week Ending June 17, 2017	
Signature 3	197.65/89.65
Signature 4	192.76/87.44
Signature 5	195.20/88.54
h@ms Cash	193.70/87.86
HyLife	192.76/87.44
Britco	189.89/86.13
TCP/BP2	188.63/85.56
ISO Weans	\$23.71 US Avg.
Feeder Pigs	\$51.69 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5			175.48 183.88	158.58 167.17	155.62 158.47	137.61 149.34	135.16 143.37	140.31 148.50	149.10 152.26	156.22 158.12	158.31 159.14
Soymeal Wpg Delivered.	423	432	430	433	442	445					

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