



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, June 21, 2017

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

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Hog Prices: ↑Soymeal: ↔

Corn: ↑CDN Dollar: ↓

US Slaughter	
431,000	Tuesday
422,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$87.50
National	\$87.35
Iowa/S. MN.	\$87.54
Signature 5	\$209.24
HyLife (prev. day)	\$203.23
Britco (prev. day)	\$212.41
TCP/BP2	\$209.24
BoC Rate (Noon) prev. day	
\$1.3267 CAD / \$0.7537 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.

Forward contract prices opened higher this morning. US cash markets continued their recent rally in yesterday's trade with strong pork product prices providing the support. The pork carcass cut-out gained more than \$2.00 USD/cwt in yesterday's trade and is now valued at nearly \$99.00/cwt, the highest level since October 2014. Most of the support came from pork bellies which added close to 5% of their value in yesterday's trade, but all of the primal cuts have experienced price gains over the last week. Nearby lean hog futures contracts have rallied to new contract highs on the recent strong cash market performance, but the October, December and February contracts continue to be burdened by the expectation of abundant hog supplies (currently estimated to be 4.5% larger than last year's record supply). Producers that have already priced a large portion of their production should consider setting targets on unhedged production at \$10 CAD/kg higher than current forward prices to achieve a hedging percentage of 70% of their intended production.

Canadian delivered soymeal prices opened even this morning. As 52.1 bpa (representing last year's record and beating the previous record by 4.1 bushels) becomes less and less likely, the market is trading in a choppy pattern. To be sure, last year's growing conditions were largely ideal and factored heavily in the production numbers. This year the crop has got off to a challenging start and there is evidence that 20% of the crop area has crop conditions (i.e. good/excellent ratings) that are below last year's levels. The previous record for average yield was 48 bpa and trend line (depending on the analysis) is about 46.8 bpa. Using a 46.8 bpa yield and 90 million acres would put ending stocks at 380 million bu. all else equal which is considered supportive. Decent production estimates aren't really available until mid-July; in the meantime, even small changes in the weather will likely influence direction.

US corn futures opened higher this morning. Like beans, the US corn futures market is being heavily influenced by weather forecasts. According to some observers, large areas of the corn crop are struggling and in need of some timely rain. So, when the forecast changes overnight to drier for critical growing areas (such as what is taking place today), the market's reaction is unsurprisingly to move higher. Technical traders are calling for the next support in the \$3.60 USD/bu. neighbourhood, but a bottom near \$3.70 appears to be developing, for now, and as long as the forecasts remain supportive. Rain will pressure, but the next round of high temperatures with the absence of moisture could push higher.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5			178.30 186.75	161.54 170.18	158.58 161.45	138.98 150.78	136.52 144.77	141.34 149.58	150.18 153.35	156.79 158.71	158.44 159.27
Soymeal Wpg Delivered.	426	426	432	424	444	446					

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