

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, July 10, 2017

For details call: (204)235-2237 or visit www.hamsmarketing.ca

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

US Slaughter	
1.849 mil.	Last Week
1.826 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$87.33
National	\$92.91
Iowa/S. MN.	\$87.47
Signature 5	\$208.60
HyLife (prev. day)	\$210.09
Britco (prev. day)	\$206.16
TCP/BP2	\$208.60
BoC Rate (Noon) prev. day \$1.2887 CAD / \$0.7760 USD	
Cash Prices Week Ending July 8, 2017	
Signature 3	208.04/94.37
Signature 4	211.37/95.88
Signature 5	209.71/95.12
h@ms Cash	208.21/94.44
HyLife	209.74/95.14
Britco	208.37/94.52
TCP/BP2	210.82/95.63
ISO Weans	\$27.44 Avg.
Feeder Pigs	\$53.06 US Avg.

Forward contract prices opened mixed this morning. US cash markets are expected to trade near steady to start this week with mixed market fundamentals contributing to the stalled trend. While wholesale pork prices finished the week at their highest level in more than 2 years, there were indications earlier in the week that the market may be 'topping out' for several of the primal cuts. Pork bellies continue to be the strongest of the primals with Friday's value coming within \$6.00 of the all-time record high (\$213 USD/cwt) for the wholesale cut that was previously set in April of 2014. US weekly export sales have struggled to match volumes seen last year, with sales to China seeing the biggest drop. Increasingly, the US market is reliant on growth in sales to Mexico to clear the growing pork production (which could prove risky) while NAFTA renegotiations commence later this summer. This issue helps to explain the 25% price discount that October – December futures prices are experiencing compared to the current cash market. Producers should consider adding forward contracts to their hedge position to achieve 70% coverage for the Sep – Feb timeframe.

Canadian delivered soymeal prices opened higher this morning. With word that up to 14% of the US soybean growing area could see some significant deterioration, US soybean futures are trading higher. Fears of large increases in the poor to very poor category (in the Dakotas) in today's Crop Progress report is not representative of the entire crop's health; to be sure, conditions in the ECB have been described as near ideal. However, strong demand and challenging growing conditions are typically factors that would influence the market higher and the current situation is no different. Temperatures in the Dakotas, moreover, are expected to be over 100°F for 7 of the next 10 days and into the high 90s out to the last week in the month. As well, the national good/excellent rating is expected to drop between 1 and 2% in today's report.

US corn futures opened higher this morning. Like beans, calls for deteriorating conditions in a large swath of the US corn growing area are supporting the market. There is talk that drought-like conditions are expanding out of the Dakotas and into Iowa, southern Minnesota, and Nebraska where, also like beans, temperatures over 100°F are forecast for 8 of the next 10 days. High temperatures during pollination are generally not considered conducive toward high yield and there is talk that if the forecasts are correct, yield decreases in impacted regions could be 'significant'. Is this the 'externality' mentioned earlier last week? It is hard to say with certainty, but the September contract has broken resistance within the current range and is now trading over \$4.00 USD/bu. for the first time since July 2017.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		176.26 184.47	160.57 168.96	157.63 160.42	140.05 151.50	137.65 145.67	142.58 150.57	151.15 154.24	154.17 159.15	159.40 160.21
Soymeal Wpg Delivered.	470	471	474	485	480	470				

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