

# Hog Margin Outlook

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Monday, July 31, 2017

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

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

**Forward contract prices opened lower this morning.** US cash markets are called lower to start this week, with packers having no trouble sourcing more hogs for their expanded production. Last week's slaughter was estimated by the USDA at 2.239 million hogs, approximately 2% larger than last year's and confirmed that the market has already experienced its tightest supply for the year. Hog weights have shrunk to their lowest level so far in 2017, and with producers motivated to add profitable pounds, will likely hold steady or gain over the next few weeks as Midwestern temperatures start to moderate. Concern is growing over the lack of buying interest from China from the US, with the volume of pork sold down to a trickle last week according to the USDA's Weekly Sales report. Gains in sales volumes to Mexico have offset the weakness to China, but this only adds risk to the coming NAFTA renegotiations, as the US is heavily reliant on Mexico to clear its heavy supplies. Lean Hog futures are heavily discounted from the current cash market, reflecting the expectation of a growing supply, but the October contract may find support from the startup of the two new plants that are expected to start operations in September.

**Canadian delivered soymeal prices opened lower this morning.** The soybean and product market is again dominated by the weather with the crop at a critical stage in determining yield. The forecast over the weekend changed to add moisture in the Dakotas and Northern Iowa, areas that are in dire need of a rain. The latest crop conditions reported by the USDA will be released later today and could show a slight improvement in the percentage of the crop rated Good/Excellent.

**US corn futures opened lower this morning.** Widespread rains in the forecast for the Northern and Western sections of the Cornbelt are easing yield concerns. Over the weekend weather models changed to suggest a cooler, wetter forecast which would be helpful to a corn crop that has large portions experiencing drought stress. As a result, new crop corn futures are down about 1% this morning and are trading at the low end of their recent trading range.

US Slaughter	
2.239 mil.	Last Week
2.192 mil.	Last Week (year ago)

Daily Prices	
W. Corn Belt	\$81.23
National	\$88.54
Iowa/S. MN.	\$81.41
Signature 5	\$190.47
HyLife (prev. day)	\$195.10
Britco (prev. day)	\$185.32
TCP/BP2	\$190.47
<b>BoC Rate (Noon) prev. day</b> \$1.2447 CAD / \$0.8034 USD	

Cash Prices Week Ending July 29, 2017	
Signature 3	190.27/86.31
Signature 4	200.89/91.12
Signature 5	195.58/88.71
h@ms Cash	194.08/88.03
HyLife	197.89/89.76
Britco	196.44/89.10
TCP/BP2	202.47/91.84
ISO Weans	\$20.05 Avg.
Feeder Pigs	\$48.13 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		145.25 157.77	142.41 145.10	125.26 136.35	122.95 130.71	131.22 138.98	139.54 142.53	144.83 149.66	148.92 149.25	152.66 164.81	162.72 174.20
Soymeal Wpg Delivered.	432	432	444	447	447						

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STRENGTH IN NUMBERS

