

# Hog Margin Outlook

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

US Slaughter	
445,000	Wednesday
437,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$80.56
National	\$87.53
Iowa/S. MN.	\$80.64
Signature 5	\$190.30
HyLife (prev. day)	\$192.77
Britco (prev. day)	\$185.24
TCP/BP2	\$190.30
<b>BoC Rate (Noon) prev. day</b> \$1.2560 CAD / \$0.7962 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.

**Forward contract prices opened higher this morning.** US cash markets remain in a downtrend despite turning modestly higher yesterday. All reporting regions saw gains coming in at \$0.37, \$0.23 and \$0.08 USD/cwt for ISM, WCB and the National/WCB average bases respectively. Strong demand, a lower than expected slaughter (albeit higher than last year), and ongoing strength in the value of the cut-out have been cited, in part, as rationale for the ongoing 'strength'. Hog weights are creeping upward, coming in at 275.9 lbs. compared to 275.7 lbs. in the previous week. There are thoughts cooler weather combined with inexpensive corn could aid in rapid weight gain over the next couple weeks; fresh corn will add as well. The potential 'correction' in the futures market mentioned earlier appeared to develop in yesterday's trade as all contracts turned higher over the session. The August and October contracts were sharply higher in particular, but have since backed off from yesterday's highs; October is still trading at an approximate \$21.00 USD/cwt. discount to the cash market despite the move. Market watchers are citing the large spread and strong pork product prices as rationale for the short-covering activity that took place.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower on thoughts the rainfall that is forecast for much of the Midwest could influence a vast improvement in crop conditions, especially in the Dakotas. Currently, most think the Dakotas could bring down the national yield (and production) average if nothing changes in terms of weather. However, there is at least one analytics firm that is pegging national yield estimates at just 0.3 bpa lower than the current USDA 48 bpa estimate which would pull ending stocks only slightly lower than current estimates to 411 million bu. Contextualized with estimates as low as 305 million bu., the projection is considered on the bearish side.

**US corn futures opened lower this morning.** Like beans, US corn futures have turned lower on weather news that could provide some better crop development conditions. While the outlook is being described as near ideal for the filling stage, there have been earlier issues due to excessive heat exposure during the pollination phase. In any event, current yield estimates are coming in between 162.8 and 167 bpa; trendline would be considered near 165 bpa. A yield near 162.8 bpa would push ending stocks ~720 million bu. lower to 1.646 billion bu., all else equal, and likely usher in some support.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		143.54 156.15	140.65 143.36	123.91 135.08	121.58 129.39	129.35 137.17	137.74 140.76	143.80 148.68	148.05 148.38	152.52 164.79	162.69 174.28
Soymeal Wpg Delivered.	421	421	432	435	435						

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STRENGTH IN NUMBERS

