



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 04, 2017

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

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

Forward contract prices opened higher this morning. US cash markets are steady to mixed from the previous session to close out the week. The ISM and WCB reporting regions were up by \$1.07 and \$0.74 USD/cwt respectively while the National reporting region was slightly lower by \$0.34. Thoughts of strong ongoing demand and a relatively high (albeit weakening) pork cut-out led by bellies is in part helping to support. Cumulative sales for the year are 8.6 % higher than year ago. Slaughter for the week so far is up 3.7% from last year, but some lighter weights have meant that pork production has not matched the pace. In fact, even though pork production is up over previous year by 2.66%, it is modestly lower (essentially flat) when compared to the previous week. Lean hog futures are trading sharply higher to finish the week. Commentary is suggesting the steep discounts are reflecting a technically oversold market and the nearby contract (August) in particular needs to converge with the cash price as contract expiry on the 14th approaches. The October futures/cash spread is currently sitting at a \$21.30 USD/cwt discount compared to the \$15.42 five-year average.

Canadian delivered soymeal prices opened even this morning. There is talk that the recent weakness in beans could be nearing the end of the run lower, but most of the news to finish the week is bearish. A trucker strike in Brazil could provide some initial and short-term support. However, new crop sales are at the lowest pace in 10 years and the weather forecast favours the bears for now. There is also some concern that a trade disruption with China could negatively impact exports. While there is no cause for alarm yet, a potential US investigation into Chinese violations of USA intellectual property rights is making the rounds and soybeans are viewed as a prime candidate for retaliatory measures.

US corn futures opened higher this morning. The action comes as there is talk the recent move lower (on decent weather forecasts) was a bit overdone. Over 2 billion bu. in ending stocks for the new crop also seems a bit high given the recent yield estimates, but some more clarity on that issues should come next week when the USDA is widely expected to revise yield estimates lower in the August WASDE report. Pre-report estimates currently range between 162.8 bpa (private) and 170.7 bpa (USDA); trend line is about 165 bpa. Many in the trade are expecting the 2017/18 crop will come in below trend line in the final analysis.

US Slaughter	
445,000	Thursday
423,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$81.30
National	\$87.19
Iowa/S. MN.	\$81.71
Signature 5	\$191.05
HyLife (prev. day)	\$192.74
Britco (prev. day)	\$187.96
TCP/BP2	\$191.05
BoC Rate (Noon) prev. day \$1.2578 CAD / \$0.7950 USD	
Cash Prices Week Ending August 5, 2017	
Signature 3	185.08/83.95
Signature 4	194.91/88.41
Signature 5	190.00/86.18
h@ms Cash	188.50/85.50
HyLife	192.58/87.35
Britco	188.66/85.58
TCP/BP2	195.58/88.71
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		147.60 160.29	144.67 147.41	127.98 139.22	125.63 133.50	131.41 139.21	139.78 142.79	146.11 150.98	151.17 151.51	155.02 167.31	165.21 176.82
Soymeal Wpg Delivered.	421	421	432	435	435						

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Hams Marketing Services will be closed Monday, August 7 for the annual August Long Weekend. No forward contracts can be made and the HMO and Opening Price reports will subsequently not be published. Normal business resumes on Tuesday, August 8.