



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 10, 2017

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

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

Forward contract prices opened mixed this morning. US cash markets are seeing continued weakness, reflecting the lower trend in the wholesale pork trade. Daily hog slaughter has been averaging 445,000 hogs, approximately 10,000 head larger than at this time last year. The expectation of pork production increasing by nearly 5% over year ago levels has likely influenced pork buyers to operate with lower inventory, which could be an issue in the coming weeks if hot weather delays increased production. Pork bellies have been the strongest of all the primal cuts and made the largest contribution to the pork carcass cut-out, trading within 5% of record high levels for more than 6 weeks. However, prices have fallen about 10% for the product in the last 10 days, marking a change in the trend which is a dominant market factor. Lean hog futures have been discounting the fall and winter timeframe from the cash market compared to recent years, reflecting this commonly held market view. Producers looking for more protection in the Oct-Feb timeframe should view current forward prices as fair value given the forecast for ample supply and the fact that they are trading in the middle of their 2-month trading range.

Canadian delivered soymeal prices opened higher this morning. The USDA will release the August WASDE report mid-trade today with the first look at official yield updates for the new crop. The extent to which the USDA's estimates coalesce with the market's pre-report estimates will determine the degree of the market move, if any. For now, the range of pre-report yield estimates is coming in between 46.5 and 49.0 bpa; the national average is pegged at 47.4 bpa. The consensus is that yield estimates will be lowered in today's report although the 48 bpa in July's is notably similar to the current pre-report average estimate. In any event, changes are expected in the August report and surprises are never ruled out. Also of note is the release of the Acreage report at 2PM, Central, which will provide traders with additional information for Friday's trade.

US corn futures opened higher this morning. As in the bean market, all corn traders will be awaiting today's WASDE report which is also expecting adjustments to the yield estimate. The market's best guesses range between 162.6 bpa and 169.0 bpa; indeed, the 170 bpa estimate currently published in the July report seems a bit high, and, again like beans, the consensus is that yield estimates will ultimately be lowered. A slow, wet start to planting and high temperatures during the pollination phase are expected to pressure. Acreage will become clearer after 2PM as well and the new crop picture should start to emerge which is expected to set the tone for the short term.

US Slaughter	
446,000	Wednesday
436,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$80.38
National	\$85.89
Iowa/S. MN.	\$80.47
Signature 5	\$190.45
HyLife (prev. day)	\$191.57
Britco (prev. day)	\$186.98
TCP/BP2	\$190.45
BoC Rate (Noon) prev. day	
\$1.2705 CAD / \$0.7870 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	\$19.04 Avg.
Feeder Pigs	\$45.71 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		152.29 156.79	149.52 152.27	132.74 144.04	130.38 138.29	137.02 144.91	145.48 148.52	150.86 155.77	155.71 156.06	157.43 169.84	167.72 179.44
Soymeal Wpg Delivered.	428	428	438	442	442						

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