



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 11, 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 turned lower across three reporting regions with the ISM and WCB regions down over \$1.25 USD/cwt and the National region reporting a more modest \$-0.24 USD/cwt over the previous session. The market appears to be preparing for larger supplies in the face of seasonal weight increases which are likely, in part, due to the impacts of cooler temperatures and fresh corn ahead. There is also some shakiness in the value of the cut-out which is starting to weaken somewhat. Without strong export sales, the market will need to rely on strong domestic demand to make up the difference. Lean hog futures are trading in a mixed and choppy pattern, but are stronger to finish the week. On the bullish side, continued strength in (and optimism for) the aggregate demand are components. On the bearish side, expectations of large supplies and questions regarding the market's ability to absorb those supplies are factors. The October contract is currently trading at a larger than average discount to the cash market, but without some concrete news supporting either direction, it will be difficult for the futures contracts to break out of the current trend.

Canadian delivered soymeal prices opened lower this morning. While the USDA did in fact lower yield estimates relative to the July report, the final number was much higher than average pre-report estimates and even came in higher than the upper end of expectations. This development was considered a bearish surprise and combined with a higher than expected ending stocks number, the market sold off in the double digits. For Canadian meal buyers, the action represented a \$20 CAD/ckg move lower at the end of the trading day. A modest correction from yesterday's lows is starting the trade today.

US corn futures opened lower this morning. Like beans, the US corn market was surprised to see a yield number that, while lower than July, eclipsed the average pre-report expectation and was also higher than what was considered the high-level mark. Ending stocks were also published higher than the average pre-report and at the upper end of expectations. Analysts note the USDA used the 3rd highest ear weight on record which appeared odd due to the challenging weather in areas and reductions over last year. However, a reduction in yield compared to last year requires context; recall that last year's yields were often exceptional in many growing regions for corn (and beans).

US Slaughter	
447,000	Thursday
434,000	Thursday (year ago)

Daily Prices	
W. Corn Belt	\$79.10
National	\$85.65
Iowa/S. MN.	\$79.17
Signature 5	\$188.77
HyLife (prev. day)	\$191.51
Britco (prev. day)	\$184.05
TCP/BP2	\$188.77

BoC Rate (Noon) prev. day
\$1.2711 CAD / \$0.7867 USD

Cash Prices Week Ending August 12, 2017	
Signature 3	186.37/84.54
Signature 4	193.58/87.81
Signature 5	189.98/86.17
h@ms Cash	188.48/85.49
HyLife	n/a
Britco	185.24/84.02
TCP/BP2	190.00/86.18

ISO Weans	\$19.04 Avg.
Feeder Pigs	\$45.71 US Avg.

August WASDE vs. Pre-Report Estimates				
	2017/18	WASDE	Est. Range	Est. AVG
Soy-beans	Yield (bpa)	49.4	46.5-49.0	47.4
	Production	4.381	4.122-4.346 bil	4.203 bil
	Carryout	475	346-572 ml	433 ml
Corn	Yield (bpa)	169.5	162.6-169.0	165.9
	Production	14.153	13.53-14.07 bl	13.807 bl
	Carryout	2.273	1.642-2.325	1.940 bl

Source: USDA; RJO

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		152.99 157.48	150.13 152.87	133.26 144.54	130.90 138.80	137.49 145.37	145.94 148.98	150.93 155.84	156.08 156.42	157.72 170.15	168.02 179.76
Soymeal Wpg Delivered.	409	409	419	423	423						

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