



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 16, 2017

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

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Hog Prices: \uparrow Soymeal: \downarrow
Corn: \downarrow CDN Dollar: \downarrow

Forward contract prices opened higher this morning. US cash markets are lower with pressure coming from larger slaughter numbers and thoughts that the market is getting ready for a ramp up in production. Slaughter came in lower than what the Hogs and Pigs report implied over the last two weeks. This week, however, slaughter on pace at approximately 3.5% higher than last year, a number that coincides with USDA estimates. Last week's low numbers initially provided underlying support amid a strong cut out value and, apparently, strong demand coming from export markets. However, there is now talk that fresh production could be eminent so demand strength is critical. Regarding exports, some analysts noted that hams exports to non-NAFTA countries was 180% higher than year ago, citing some 5.6 million lbs. of hams shipped last week. However, context is important and while 5.6 million of anything is a lot, it still represents 'only' ~2,540 metric tonnes. Nevertheless, there is talk some packers are positioning themselves for more aggressive export marketing. Lean hog futures rallied yesterday, posting gains for the second session this week and are trading higher as of this writing. The larger than average spread, the strong cash market, and the slower than expected slaughter pace over the past couple weeks has been cited as factors for the move.

Canadian delivered soymeal prices opened lower this morning. With a warm and wet 6-10 day forecast in many important growing regions, the market is trading lower this morning. There was some stability following the pressure over the past couple days, but the consensus is that the bottom has not yet been reached. While the USDA yield estimates were surprisingly high compared to expectations, subsequent analysis has shown the estimates are reasonable and there is a real chance for production volumes in the US to increase for the 2017/18 marketing year from current estimates.

US corn futures opened lower this morning. Like beans, pressure is coming from decent weather forecasts and thoughts that the high yield estimate might not be that high after all. Next week's Pro Farmer Crop Tour could usher in some new information from the field (literally), but for now, the market is searching for the bottom. State auctions in China, rumors that Argentina will plant as much as 5 million hectares more next year (~12 million acres(!)), and large beginning stocks to start the 2017/18 crop year (world and US) are all weighing on the trade.

US Slaughter	
446,000	Tuesday
433,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$77.46
National	\$84.53
Iowa/S. MN.	\$77.46
Signature 5	\$186.24
HyLife (prev. day)	\$189.02
Britco (prev. day)	\$180.70
TCP/BP2	\$186.24
BoC Rate (Noon) prev. day \$1.2755 CAD / \$0.7840 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	191.23/86.74
Britco	185.24/84.02
TCP/BP2	190.00/86.18
ISO Weans	\$20.57 US Avg.
Feeder Pigs	\$40.92 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		159.60 161.61	156.79 159.54	138.42 149.71	136.06 143.96	141.67 149.60	150.17 153.23	153.87 157.59	157.49 157.83	158.00 170.46	168.33 180.10
Soymeal Wpg Delivered.	407	407	417	420	420						

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