



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

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 23, 2017

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

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**Forward contract prices opened lower this morning.** US cash markets continue to sink lower as packers are feeling pressure on the wholesale pork side of the business. The pork carcass cut-out has descended to its lowest level since mid-May, trading around the \$89 USD/cwt level. The recent weakness comes almost exclusively from weakening pork bellies which dropped another \$25 USD/cwt or 15% of their value over the last week. However, the rib and ham primal cuts have moderated the negative impact from bellies on the cut-out value, and the two cuts have gained about 5% of their value over the same timeframe. The market has largely factored in a high probability of a supply glut coming in the next three months with expectations of year-over-year weekly hog slaughter gains of close to 4%; recent slaughter weeks have shown no indication of this growth, however. Given the large discount nearby forward prices are running to the current cash market, producers should likely wait to cover more of their production on a price recovery.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures have backed off the overnight high mark and are trading lower to open the session. Recent support (after a week of pressure) stemmed from a corrective bounce and further ideas that the USDA's current yield estimates, while appearing reasonable in the context of last year's exceptional performance (for some areas), is still a bit on the high side. More pod counts are coming in from the crop tours and Nebraska and Indiana have also been estimated to be lower than last year's counts. In other news, steep tariffs on Argentine and Indonesian biodiesel entering the US will be imposed as the Commerce Department (US) has determined both countries were subsidising production.

**US corn futures opened mixed this morning.** The bias in the market is to push lower (or, keep from rallying) at this point due to large beginning stocks and there really is no clear news emerging to push it in any direction otherwise. Overnight, there was some support as China import demand piqued up, not to mention the ongoing uncertainty coming from inconsistent yield estimates. Like beans, many in the corn trade think the USDA's numbers are simply too high and the crop tours aren't really supporting the USDA case (so far) in any direction. Ohio is pegged at 164.6 bpa by a tour and 171 bpa by the USDA; South Dakota is at 147.9 bpa (tour) and 140 bpa (USDA – note this one is higher than USDA); Nebraska is at 177.7 bpa (tour) and 183 bpa (USDA). Uncertainty is likely to remain until more consistency in yield estimates develop.

US Slaughter	
449,000	Tuesday
436,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$70.82
National	\$81.43
Iowa/S. MN.	\$70.87
Signature 5	\$172.18
HyLife (prev. day)	\$180.21
Britco (prev. day)	\$162.69
TCP/BP2	\$172.18
<b>BoC Rate (Noon) prev. day</b> \$1.2552 CAD / \$0.7967 USD	
Cash Prices Week Ending August 19, 2017	
Signature 3	179.78/81.55
Signature 4	190.21/86.28
Signature 5	185.00/83.92
h@ms Cash	183.50/83.24
HyLife	187.67/85.13
Britco	185.29/84.05
TCP/BP2	189.98/86.17
ISO Weans	\$19.11 US Avg.
Feeder Pigs	\$39.92 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		140.03 140.44	137.22 139.94	122.00 133.17	119.66 127.48	127.27 135.10	135.66 138.68	141.79 146.67	146.19 146.30	150.26 162.54	160.44 172.04
Soymeal Wpg Delivered.	405	405	410	412	412	413					

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