



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

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 05, 2017

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Forward contract prices opened higher this morning. US packers are expected to come back to work after the Labour Day long weekend looking to fill their shackles and maximize their plant capacities, but not at all costs. Hog supplies are ramping up and will gain approximately 1% per week for the next ten weeks which could hit record levels in this timeframe. The seasonal increase in numbers typically results in a sharp downturn in prices, but with two new plants (Sioux City, IA and Coldwater, MI) reportedly starting operations today, the new competition could upset old relationships and result in some extra support for cash prices this fall. However, a lot depends on how quickly these plants can get up to speed. Lean hog futures will see influence from progress of the new plants, but for now the market has factored in a further US\$2.00 USD/cwt decline over the next 5 weeks. Forward contract prices are offering no opportunities for hedging at current prices, but if the market sees support from the new plants and improved export sales, prices could improve and provide an opportunity to cover the Jan - Mar timeframe.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher to start this holiday-shortened week. Support comes from some declining yield estimates, but there is some uncertainty as no one consensus has yet emerged. Rationale for support is stemming from concerns that there is not enough finishing rain now, or in the forecast. On the pressure side, crop tours have uncovered yield increases, primarily in the north. For those keeping track, the USDA has pegged yield at 49.4 bpa in the August WASDE; The Farm Journal Crop Tour estimated yield at 48.5 bpa; four private estimates this morning are coming in at 49.8, 49.4, 48.0, and 47.1 bpa. Using the 'worst-case' 47.1 bpa yield would push ending stocks to 273 million bu., a significant drop from the current 475 million bu. estimate. The September WASDE comes out on the 12th.

US corn futures opened higher this morning. Like beans, US corn futures are trading higher to start the week. A higher weekly close on Friday (the first time in six weeks) was viewed as a key technical shift that could set the stage for a short-term recovery. However, also like beans, yield estimates are uncertain despite a bias toward the lower end of the spectrum. USDA pegs yield at 169.5 bpa, which at first was thought to be much too high given earlier weather challenges, but some subsequent analysis has come in near that number. Regardless, the range of estimates is coming in between 166.7 bpa (private) and 169.5 bpa (USDA). The lowest estimate (here) would bring ending stocks down to approximately 1.9 billion bu. which is not a disaster, but it would provide support.

US Slaughter	
2.315 mil.	Last Week
2.264 mil.	Year Ago

Daily Prices	
W. Corn Belt	\$62.47
National	\$72.92
Iowa/S. MN.	\$62.67
Signature 5	\$151.12
HyLife (prev. day)	\$160.89
Britco (prev. day)	\$142.01
TCP/BP2	\$151.12

BoC Rate (Noon) prev. day
\$1.2390 CAD / \$0.8071 USD

Cash Prices Week Ending September 02, 2017	
Signature 3	148.65/67.43
Signature 4	168.65/76.50
Signature 5	158.65/71.96
h@ms Cash	157.15/71.28
HyLife	165.94/75.27
Britco	159.14/72.19
TCP/BP2	171.86/77.96

ISO Weans	\$20.53 US Avg.
Feeder Pigs	\$35.54 US Avg.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		136.61 139.29	123.81 134.81	121.52 129.21	127.71 135.40	135.95 138.92	141.19 145.98	146.29 146.40	150.48 162.61	160.53 171.99
Soymeal Wpg Delivered.	422	409	413	413	419	423				

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