

Hog Margin Outlook

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Wednesday, September 20, 2017

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

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Hog Prices: ↑↓ Soymeal: ↔

Corn: ↑ CDN Dollar: ↓

US Slaughter	
455,000	Monday
440,000	Year Ago
Daily Prices	
W. Corn Belt	\$51.11
National	\$63.30
Iowa/S. MN.	\$51.11
Signature 5	\$126.48
HyLife (prev. day)	\$136.34
Britco (prev. day)	\$114.76
TCP/BP2	\$126.48
BoC Rate (Noon) prev. day \$1.2277 CAD / \$0.8145 USD	
Cash Prices Week Ending September 16, 2017	
Signature 3	124.93/56.67
Signature 4	146.86/66.62
Signature 5	135.89/61.64
h@ms Cash	134.39/60.96
HyLife	143.62/65.15
Britco	135.01/61.24
TCP/BP2	147.10/66.72
Year-to-Date Top-Up Estimate	
\$3.49/ckg (call for details)	
ISO Weans	\$23.10 US Avg.
Feeder Pigs	\$36.96 US Avg.

Forward contract prices opened mixed this morning. US negotiated cash markets sunk to their lowest level since Christmas of last year, with pressure coming from hog supplies that are growing at a quicker than average pace for this time of year. Packers are still matching their bids for live hogs with price changes that they are experiencing on the pork product side of the business, with yesterday's pork carcass cut-out falling close to US\$1.50/cwt. Pork bellies and Hams have both dropped nearly 10% of their value in the last week and have yet to find any lasting support to break the lower trend. Despite the weakness in the product market, Lean Hog futures spiked higher in yesterday's trade, with the December and February contracts gaining 2-3% of their value. The futures market may be anticipating a narrowing of packer operating margins as the two new plants compete and add hogs to their daily production. Producers with less than 50% of their Oct – Dec hog production protected with forward prices should consider adding another 25% if prices hit an average of \$130/ckg in this timeframe.

Canadian delivered soymeal prices opened even this morning.

Harvest numbers are starting to trickle in but there is no clear consensus on yield performance yet. Results have been varied and the market has not really been too influenced by harvest related factors in recent days. To be sure, weather reports and crop progress has had some earlier influence. However, until the pace ramps up, estimates on good/excellent conditions or weather related growing concerns will merely be interesting anecdotes at this point and not really influence yield in the middle of harvest activity. There is talk that the low has been set in the short term so any mildly negative yield news or mildly positive demand data will likely support.

US corn futures opened higher this morning.

Unlike beans, which are thought to have put in short-term lows for now, harvest pressure is expected to weigh on the US corn trade. Although there is some support this morning, some analysts point out that a very large old crop carryover and new crop production estimates (that still remain quite high) will likely weigh further on the trade. Supportive factors include some recent policy announcements from China that include corn subsidies in the north, plans to expand the livestock sector, and thoughts that refineries could expand production by 11 MMT. These structural moves will take time have a direct impact, but they do influence a supportive tone is on the horizon.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		125.30 126.08	121.94 132.84	119.66 127.29	125.70 132.32	133.88 136.82	141.77 146.54	146.72 146.83	149.82 161.84	159.78 171.13	166.68 168.05
Soymeal Wpg Delivered.	426	412	417	417	424	428					

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