

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, September 21, 2017

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

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

US Slaughter	
455,000	Tuesday
440,000	Year Ago
Daily Prices	
W. Corn Belt	\$50.25
National	\$62.45
Iowa/S. MN.	\$50.23
Signature 5	\$124.55
HyLife (prev. day)	\$134.95
Britco (prev. day)	\$112.75
TCP/BP2	\$124.55
BoC Rate (Noon) prev. day \$1.2273 CAD / \$0.8148 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 cash markets continued their relentless decline in yesterday's trade as packers continue to fill all of their weekday capacity while dropping their cash bids. USDA slaughter data suggests that the 3 new plants (Minnesota, Michigan and Iowa) are starting to add more capacity as the estimate for the daily slaughter has climbed about 5,000 hogs more than the highest daily slaughter seen last year. The heavy supply of pork that is hitting the market is pressuring prices lower, but traders are still relying on increased export sales to clear the added inventory. However, there are no indications (yet) that export sales are climbing to help with the added supplies. The December lean hog futures contract is now trading at a premium to the October, a rare occurrence given the seasonal tendency for supply to increase over those two months. The trade is putting a lot of faith in the idea that packer margins will shrink due to the startup of the new plants. 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 CAD/ckg in this timeframe.

Canadian delivered soymeal prices opened even this morning. US soybean futures found some strength yesterday on news that large volumes in the new marketing year have been recorded over the past three weeks. Volumes over 2 MMT typically don't show up in the reports until near October (observing data over recent years) so the volumes showing 1.15 MMT, 2.096 MMT and 2.338 MMT in the first weeks of the marketing year (i.e. September) is a bullish development. However, it is not enough to support sustained strength in the marketplace. There is talk traders are looking for evidence of poor(er) yield data before a move higher can be rationalized. Currently, yield reports are too variable to influence the market in one direction or another.

US corn futures opened lower this morning. Although there are some pretty impressive forward-looking import projections coming from China, US markets, at least, have so far shrugged off the chatter. A recent conference in China has suggested when the new ethanol policy is implemented, as much as 45 MMT of corn will be needed (20 MMT of which pegged from the import market). Considering that 3 MMT was imported (all markets) last year and 2019/20 is pegged at 3.8 MMT, the possibility for opportunity exists. However, China imports from the US barely averaged 392,000 MT since 2014. Previous data showed 4.3 MMT and 3.6 MMT for 2012 and 2013 respectively, reinforcing the notion the Chinese market is anything but consistent. As well, it will take some time for the new policy thrust to be fully realized.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #5		123.39 124.16	119.73 124.34	119.67 127.35	123.90 134.91	135.47 138.43	140.65 148.70	148.87 148.98	152.32 164.41	162.34 173.77	168.38 169.76
Soymeal Wpg Delivered.	426	412	417	417	424	428					

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