



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 12, 2017

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

www.hamsmarketing.ca

Hog Prices: ↓ Soymeal: ↓

Corn: ↓ CDN Dollar: ↑

US Slaughter

463,000 Wednesday

396,000 Year Ago

Daily Prices

W. Corn Belt \$56.06

National \$60.79

Iowa/S. MN. \$56.10

Signature 5 \$131.64

HyLife (prev. day) \$133.75

Britco (prev. day) \$128.23

TCP/BP2 \$131.64

BoC Rate (Noon) prev. day

\$1.2498 CAD / \$0.8001 USD

Cash Prices Week Ending October 07, 2017

Signature 3 115.90/52.57

Signature 4 127.32/57.75

Signature 5 121.61/55.16

h@ms Cash 120.11/54.48

HyLife 126.14/57.22

Britco 108.68/49.30

TCP/BP2 119.49/54.20

Year-to-Date Top-Up Estimate

\$3.92/ckg (call for details)

ISO Weans \$28.72 US Avg.

Feeder Pigs \$41.38 US Avg.

Forward contract prices opened lower this morning. US packers continue to bid the cash market higher, continuing the higher trend that started about two weeks ago. US cash markets have gained nearly 20% of their value over this timeframe which represents a counter-seasonal move for this time of year. Gains in hog prices have come about while wholesale pork prices have held steady, trading around US\$73/cwt for the last three weeks. While packer operating margins have shrunk over this timeframe, packers are still profitable with current gross operating margins sitting near \$32 USD per hog. The shift in packer operating margins that was anticipated as the new plants have been ramping up production have encouraged greater competition for live supplies. Given the uncertainty associated with demand, especially export sales, and the high likelihood of seeing several weeks of slaughter exceeding 2.6 million hogs, current forward contract prices represent fair value. Producers looking to add price protection in the winter timeframe should set targets \$2-\$4 CAD/kg higher than current forward prices which would achieve the highest forward prices in about two months.

Canadian delivered soymeal prices opened lower this morning.

Trading is expected to be relatively light ahead of today's WASDE report, but the market has shown some support to start the trade, likely, and as usual before such reports, from pre-report positioning. The past two WASDE reports have been surprisingly bullish and surprises in today's release are entirely possible. For the most part, however, the tone ahead of today's release is bearish and would remain so if the pre-market numbers are indeed realized. On that note, soybean yield is estimated to fall between 49.1 and 52.1 bpa which would usher in an ending stocks estimate between 350 and 500 million bu. all else equal.

US corn futures opened lower this morning. Despite revisions lower to China's domestic production numbers, US corn futures are under some pressure ahead of today's WASDE report. Of course, China is not a consistently large importer of US corn, and the market is very aware of that. However, if China must turn to the international market to source supplies (from any region), the impacts could be felt in the US. In any event, the market has shrugged off the news and is more preoccupied with today's WASDE report which is expected to show plentiful supply (surprises notwithstanding). Updated pre-report estimates for yield are coming in between 168.7 and 171.5 bpa, and 2.168 to 2.450 billion bu. in ending stocks.

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		128.49 132.02	131.08 136.19	133.28 144.41	144.97 147.97	146.95 155.10	155.06 155.17	157.31 169.52	167.43 178.96	170.67 175.66	173.36 175.88
Soymeal Wpg Delivered.	422	422	422	426	430	430					

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h@ms 2017 Fall Marketing Meeting Schedule

Meeting	Date and Time	Location
Lethbridge, AB	Tuesday, Oct. 24 - 12:00 Noon	The Coast Hotel & Conference Centre - 526 Mayor Magrath Dr.
Starbuck, MB	Thursday, Oct. 26 - 2:00 PM	Starbuck Community Hall - 25 Main Street
Steinbach, MB	Friday, Oct. 27 - 12:00 Noon	Smitty's Family Restaurant - 145 Park Road
Swift Current, SK	Tuesday, Oct. 31 - 12:00 Noon	Royal Canadian Legion #56 - 239 1st Avenue, NE
Saskatoon, SK	Wednesday, Nov. 1 - 12:00 Noon	Comfort Suites - 203 Bill Hunter Avenue