

# Hog Margin Outlook

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Wednesday, May 02, 2018

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

US Slaughter	
466,000	Tuesday
420,000	Year Ago
Daily Prices	
W. Corn Belt	\$59.05
National	\$64.71
Iowa/S. MN.	\$59.12
ML Signature 5	\$143.53
HyLife (prev. day)	\$146.19
TCP/BP2	\$143.53
BoC Rate (Noon) prev. day	
\$1.2867 CAD / \$0.7772 USD	
Cash Prices Week Ending April 28, 2018	
Signature 3	136.53/61.93
Signature 4	141.27/64.08
Signature 5 Brandon	138.90/63.00
h@ms Cash	137.40/62.32
HyLife	141.76/64.30
TCP/BP2 Moose Jaw/Langley	126.86/57.54
2018 Top-Up Estimate	
\$4.86/ckg (call for details)	
ISO Weans	\$33.64 US Avg.
Feeder Pigs	\$66.03 US Avg.

**Forward contract prices opened mostly lower this morning.** US cash markets started this week with packer bids showing the largest gains seen in the last two weeks, gaining about \$0.75 USD/cwt in yesterday's trade. Recently, packers have largely been following the wholesale pork trade with their cash bids in an effort to manage their operating margins. Over the month of April, estimated packer operating margins were cut in half (from \$40 USD/hog to \$20/hog) as competition among packers has been building into the summer timeframe. The typical trend in pork product prices has the pork cut-out gain about \$10 USD/cwt over the month of May, which, if packer margins are maintained, would put early June cash prices near \$72 USD/cwt, or, near where current futures values would imply cash bids could be at that time. Producers should look to have a portion of their fall and winter production hedged by mid-June, as cash market highs often yield the best time to hedge the September – December timeframe.

**Canadian delivered soymeal prices opened higher this morning.** Soymeal has been leading the complex higher recently to the extent that meal is either pulling beans higher or preventing further downside depending on the information at the time. There is talk that some of the supply fears on beans are a bit overblown. However, tightness in meal is not and there have been reports of US beans being sold to Argentine crushers in order to satisfy demand. The USDA currently pets Argentine production at 40 MMT according to the most recent WASDE report. For context, Argentina has produced over 50 MMT of beans since 2013 and hasn't seen a production level as low as 40 MMT since 2011. There is talk that number could even drift lower in the final analysis, squeezing supplies to the all-important Argentine crushing industry.

**US corn futures opened lower this morning.** Asian markets should return to normal business following the 'May Day' (i.e. labour day) long weekend which wrapped up on Tuesday, May 1. Dryness concerns for second crop in Brazil, a bit too much rain in areas of Argentina, and dry weather in the US are all supportive. There were also ideas that managed money was repositioning itself (especially in wheat) which is also supportive. Not directly related to the corn trade, but important nonetheless, is news surfacing that a trade delegation is on its way to China to discuss potentially resolving some of the trade imbalance issues that are a focus of the Trump administration.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		157.38 168.69	164.85 169.74	163.40 169.40	143.74 157.35	141.53 145.34	126.58 138.13	125.54 129.40	128.23 139.87	140.33 142.40	142.70 144.43	145.73 156.04
Soymeal Wpg/S. Man Delivered	570	571	571	569	564	563						

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