



Hog Margin Outlook

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Wednesday, May 09, 2018

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

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

US Slaughter	
464,000	Monday
442,000	Year Ago
Daily Prices	
W. Corn Belt	\$60.20
National	\$65.39
Iowa/S. MN.	\$60.21
ML Signature 5	\$146.75
HyLife (prev. day)	\$148.05
TCP/BP2	\$146.75
BoC Rate (Noon) prev. day \$1.2963 CAD / \$0.7714 USD	
Cash Prices Week Ending May 5, 2018	
Signature 3	138.42/62.79
Signature 4	146.87/66.62
Signature 5 Brandon	142.65/64.71
h@ms Cash	141.15/64.03
HyLife	146.06/66.25
TCP/BP2 Moose Jaw/Langley	138.90/63.00
2018 Top-Up Estimate	
\$4.82/ckg (call for details)	
ISO Weans	\$30.97 US Avg.
Feeder Pigs	\$64.00 US Avg.

Forward contract prices opened higher this morning. US negotiated cash markets gained nearly \$1.00 USD/cwt in yesterday's trade, following the previous day's rally in wholesale pork prices. With hog supplies consistently exceeding year ago levels by about 3%, the new slaughter plants are sourcing the numbers needed to fill their production schedule during the week days. However, pressure on packer margins is mounting as primal hams, bellies and pork trim are all lagging last year's values by close to 20% with added competition from chicken and beef contributing to the lower prices. Lean hog futures made solid gains in yesterday's trade with most contracts regaining value that was lost over the previous two weeks of trade. The summer timeframe recovered nearly \$3.00 USD/cwt so far this week, stemming from the solid gains that were seen in the pork carcass cut-out on Monday. However, hog prices are working against record production of pork, chicken, and beef amid uncertainty in the export markets due to new US trade policy. Producers should cover a portion of their fall and winter price risk at current prices that represent good value in the context of current market fundamentals.

Canadian delivered soymeal prices opened higher this morning. Traders are likely positioning themselves ahead of the May WASDE report that is scheduled to be released mid-trade tomorrow at 12:00 noon, Eastern, but there appears to be no consensus ahead of the report. For example, while average 2018/19 ending stocks are pegged to come in at 535 million bushels, the range of estimates represents a giant (for beans) 315 million bu spread between 400 million and 715 million bu. Argentine production estimates on the current crop are expected to be lowered by the USDA to 38.69 MMT (for the average) from the current 40 MMT on record that appears to be increasingly unlikely.

US corn futures opened higher this morning. Like beans, US corn traders will be awaiting the May WASDE report which gives the market the first glimpse of supply and demand estimates for the new crop. Using ending stocks estimates as a proxy for supply health, analysts' estimates ahead of the report show the average pre-release numbers to come in at 1.628 billion bu., a fairly large departure from the 2.182 billion currently on the books for the old crop. The reasons are based on an expected acreage decrease this year and a current trend-line yield estimate the could be challenging to achieve given planting progress as well as some concerns on soil moisture at the beginning of the growing season.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		166.82 175.35	169.02 173.93	167.73 173.74	145.55 159.19	142.95 146.76	128.40 139.94	127.36 131.21	139.91 141.60	142.07 144.15	143.94 145.68	147.53 157.92
Soymeal Wpg/S. Man Delivered	551	551	554	547	547	546						

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