



Hog Margin Outlook

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Friday, May 11, 2018

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

US Slaughter	
461,000	Thursday
443,000	Year Ago
Daily Prices	
W. Corn Belt	\$61.56
National	\$65.61
Iowa/S. MN.	\$61.56
ML Signature 5	\$146.47
HyLife (prev. day)	\$148.46
TCP/BP2	\$146.47
BoC Rate (Noon) prev. day	
\$1.2775 CAD / \$0.7828 USD	
Cash Prices Week Ending May 12, 2018	
Signature 3	141.80/64.32
Signature 4	148.91/67.55
Signature 5 Brandon	145.36/65.93
h@ms Cash	143.86/65.25
HyLife	n/a
TCP/BP2 Moose Jaw/Langley	142.65/64.71
2018 Top-Up Estimate	
\$4.76/ckg (call for details)	
ISO Weans	\$30.97 US Avg.
Feeder Pigs	\$64.00 US Avg.

Forward contract prices opened lower this morning. US cash markets experienced moderate gains in yesterday's trade with reporting regions up \$0.25 - \$0.40 USD/cwt. Some packers are being forced to reduce their week-day production schedule as the hog supply has shrunk to a level that cannot consistently support a full week day slaughter that is currently around 465,000 hogs. The price trend in the pork carcass cut-out is not providing a strong incentive for packers to compete for the uncommitted hog supply and prices are only gaining an average of about \$2.00 USD/cwt per week which is well under what is considered typical for this time of year. According to the USDA, the added pork supply that is expected this year is anticipated to be consumed domestically (in the US) suggesting that the average US consumer will eat 2 pounds more pork in 2018 than they did last year. Regardless, wholesale pork prices are anticipated to be lower on average this year than in 2017 and this fact has contributed to the sluggish futures market over the last 2 months. With forward contract prices still valued at levels near cash market values last fall, producers should cover up to half of their price risk in the September – December timeframe.

Canadian delivered soymeal prices opened lower this morning. The US soybean futures complex showed initial support following the release of yesterday's WASDE report but settled only modestly higher on the day. Combined with the recent strength in the Canadian dollar, US soymeal purchased in Canadian dollars actually dropped by approximately \$2 CAD/MT at the close compared to the opening price. In sum, new crop ending stocks estimates came in near the lower end of expectations (at 415 million bu) for the 2018/19 crop year which would imply a 9.4% stocks-to-use ratio. Anything below a 10% stocks-to-use ratio for beans is generally considered price supportive. However, there are some export challenges to contend with in the short term and the trade has turned decisively lower this morning on this concern and poor technical indicators.

US corn futures opened lower this morning. Like beans, US corn future found some support following the release of the May WASDE report yesterday. And also like beans, a bullish outlook (or at least an outlook that could be considered price supportive) was expected. However, there may be more support ahead. Using estimated acreage from the March Prospective Plantings report, analysts saw the lowest acreage estimated going back to 2010 (expected). But yield is currently estimated along the trendline and at the highest level in that timeframe. As such, if there are any growing challenges impacting yield, it will likely not take the market long to respond with some strength in the next few weeks and short months.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		163.07	165.37	163.92	141.46	138.68	125.27	124.24	127.62	139.61	141.96	145.26
Soymeal Wpg/S. Man Delivered	534	171.55	170.24	169.90	155.02	142.47	136.73	128.07	139.15	141.66	143.67	155.50

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