



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, May 23, 2018

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

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

Forward contract prices opened higher this morning. US cash markets recovered most of the losses experienced on Monday as the Midwestern regions reported an increase in negotiated prices by about \$1.00 USD/cwt. Support for higher packer bids came from an increase in wholesale pork prices which added more than \$2.00/cwt earlier this week. However, compared to last year, the aggregate value of all the pork primal cuts is down about 15%, with ham and belly prices 25% lower than year-ago levels. Yesterday's Cold Storage report showed supplies of pork were 9% larger than year ago, but the lack of any inventory increase in hams suggests that export demand may be struggling. Nevertheless, futures markets were not concerned by the overall inventory build in pork (or beef and chicken) and futures are recovering in the early morning trade from new contract lows that were reached in the October and December contracts yesterday. Producers can still secure forward contract prices that are similar to the 3-year average cash prices for the fall timeframe which represents good value given the expectation of 5% larger production and uncertainty in export demand.

Canadian delivered soymeal prices opened higher this morning. South American strikes and the potential for progress on a US/China trade agreement are supportive this morning. In Brazil, a general truckers' strike is disrupting commodity movements as truck drivers protest high fuel costs; in Argentina, a one-day strike is being organized on Thursday at ports to protest government talks with the International Monetary Fund (IMF) as well as demand better working conditions. While there are indications that trade talks between Chinese and US officials are progressing, there still has been no concrete information reported and some are even suggesting the talks might not materialize into much meaning more uncertainty is on the horizon until some substantive announcement is made.

US corn futures opened higher this morning. The South American strikes are providing some support this morning and US corn futures are mostly following other commodities that have been supported in the early morning trade. While ethanol demand has been quite good recently (taking up about one third of the US corn crop year over year), old crop supply remains relatively high (over 2 billion bu. in carryout) and there are thoughts coming from Argentina that, despite the weather challenges this year, Argentina's corn crop will come in near 40 MMT, beating last year and tying for the record set in 2016. EIA ethanol numbers will be released later today and eagerly watched to see if the positive trend maintains itself.

US Slaughter	
458,000	Tuesday
440,000	Year Ago
Daily Prices	
W. Corn Belt	\$64.62
National	\$70.08
Iowa/S. MN.	\$64.71
ML Signature 5	\$155.25
HyLife (prev. day)	\$158.87
TCP/BP2	\$155.25
BoC Rate (Noon) prev. day	
\$1.2786 CAD / \$0.7821 USD	
Cash Prices Week Ending May 19, 2018	
Signature 3	150.52/68.28
Signature 4	153.41/69.59
Signature 5 Brandon	151.96/68.93
h@ms Cash	150.46/68.25
HyLife	152.78/69.30
TCP/BP2 Moose Jaw/Langley	145.36/65.93
2018 Top-Up Estimate	
\$4.59/kg (call for details)	
ISO Weans	\$29.07 US Avg.
Feeder Pigs	\$55.25 US Avg.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		170.97	166.50	162.56	140.03	137.35	124.86	123.82	126.54	138.61	141.33	145.32
Soymeal Wpg/S. Man Delivered	544	171.09	171.41	168.58	153.71	141.16	136.42	127.68	138.15	140.68	143.05	155.67

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