



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 24, 2018

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

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

Forward contract prices opened mostly lower this morning. US negotiated cash hog markets are struggling to make gains at a time when the market typically is at its strongest. While seasonal hog supplies have shrunk the weekly hog slaughter to around 2.32 million hogs (which is down 5% from a month ago), hog numbers are still averaging close to 4% more than year-ago levels. The dynamics of the market currently favour the buyers of pork as none of the primal cuts appear to be in short supply which would encourage price appreciation if supplies were tight. The abundant supplies and sluggish cash market has been a major influence on the futures market over the last week with traders increasingly pessimistic that the market will not be able to match the typical summer rally that is characteristic of late May and early June. Forward contract prices for the fall timeframe still represent good value given the projections of record setting pork production. Producers should consider pricing as much as half of their September – December production at current prices in order to avoid larger losses that could accrue from the heavy supply burdened market.

Canadian delivered soymeal prices opened lower this morning. Markets are approaching overbought territory as traders take positions ahead of the US Memorial Day long weekend. Technically, any level over 70% indicates an overbought condition but beans are not there yet coming in near 53% yesterday. Regardless, recent fund buying has been behind the strength and there are additional thoughts that if China and the USA can come to an agreement on trade flows moving forward, the bean market may see some added support. In the meantime, there is talk that planting progress and weather ahead of the May 31 deadline for corn planting will be closely monitored as farmers will have to decide to switch to beans or not.

US corn futures opened higher this morning. Like beans, there is talk that US corn futures are near overbought territory, but coming in at approximately 60%, the commodity still has a bit to go before eclipsing the 70% threshold; a correction typically follows an overbought condition. There is talk that some regionalized wetter weather is preventing fieldwork and, if it continues, farmers may switch to beans after May 31, potentially adding some underlying support to the trade if traders feel the move is substantial and/or will negatively impact final production numbers.

US Slaughter	
459,000	Wednesday
446,000	Year Ago
Daily Prices	
W. Corn Belt	\$64.35
National	\$70.25
Iowa/S. MN.	\$64.45
ML Signature 5	\$156.22
HyLife (prev. day)	\$158.10
TCP/BP2	\$156.22
BoC Rate (Noon) prev. day \$1.2876 CAD / \$0.7766 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/ckg (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		169.80	163.51	159.79	138.90	136.25	123.88	122.84	126.61	137.76	141.42	144.16
Soymeal Wpg/S. Man Delivered	541	541	544	541	543	542						

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The Risk Management department will be closed Monday, May 28 for Memorial Day in the USA.
Markets are closed. Forward contracting will be suspended and the HMO and Opening Price reports will not be published.
The main office will be open Monday - Forward contracting resumes on Tuesday, May 22.