

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

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 31, 2018

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Forward contract prices opened lower this morning. US cash markets found some needed support in yesterday's trade, gaining about \$1.20 USD/cwt in most reporting regions. The strength is somewhat surprising given that most packers did not operate on Monday, leaving them flush with live supplies for the remaining operating schedule. The pork carcass cut-out continued its recent trend of small, intermittent gains and is losing ground compared to last year's price trend. The products that make up most of the carcass cut-out are all widening their deficit to year-ago prices with hams (-24%), bellies (-24%), loins (-14%) and pork trim (-30%) all down relative to last year. Given the concern of heavy supplies burdening the market and the sluggish cash market, it has been surprising to see a recovery in futures values over the last week. The recent support has lifted forward contract values in the September – December timeframe by nearly \$10 CAD/kg over the past 5 trading days and provides a very good opportunity to hedge the fall and winter months at levels similar to the cash prices experienced last year.

Canadian delivered soymeal prices opened higher this morning. While the domestic US supply side is so far looking bearish and trade uncertainties that will keep a risk factor in play, there are expectations that demand in the meantime will remain strong. There is talk coming out this morning that Argentina will have to import approximately 4-5.5 MMT of soybeans to keep 'normal' processing levels and the trucker's strike in Brazil has brought movements to a grinding halt. In the meantime, beans have to come from somewhere, and the USA is the next logical choice. Export data is delayed until Friday, due to Memorial Day last Monday.

US corn futures opened higher this morning. US corn futures are recovering after the funds sold 24,000 contracts yesterday on mostly technical indicators and repositioning. While rain over the past week was welcomed in the drier areas, hotter weather ahead has some traders nervous that the recent rainfall is not enough to sustain the growing crops that have been under drought conditions in some areas ahead of the moisture. Regardless, US corn is near record good/excellent conditions for this time of year according to the USDA. The next Crop Progress report will be closely watched when released next Monday.

US Slaughter	
464,000	Wednesday
442,000	Year Ago
Daily Prices	
W. Corn Belt	\$67.27
National	\$71.18
Iowa/S. MN.	\$67.30
ML Signature 5	\$160.98
HyLife (prev. day)	\$163.10
TCP/BP2	\$160.98
BoC Rate (Noon) prev. day	
\$1.2897 CAD / \$0.7754 USD	
Cash Prices Week Ending May 26, 2018	
Signature 3	152.01/68.95
Signature 4	159.53/72.36
Signature 5 Brandon	155.77/70.66
h@ms Cash	154.27/69.98
HyLife	158.73/72.00
TCP/BP2 Moose Jaw/Langley	151.96/68.93
2018 Top-Up Estimate	
\$4.55/kg (call for details)	
ISO Weans	\$27.24 US Avg.
Feeder Pigs	\$48.83 US Avg.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5			171.61 176.56	168.35 174.41	143.40 157.16	140.74 144.58	126.73 138.37	125.68 129.57	127.87 139.54	140.00 142.08	142.95 144.69	146.05 156.38
Soymeal Wpg/S. Man Delivered	540	540	543	541	542	542						

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