

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

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 05, 2018

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Forward contract prices opened lower this morning. US cash markets improved slightly in yesterday's trade, gaining \$0.50-\$0.75 USD/cwt across most reporting regions. Gross packer margins are under pressure and estimated to be near 'only' \$20/head, or, roughly half as high as last year at this time. The increased competition in the packing business has contributed to the tighter margins allowing producers a larger share of the consumer dollar, but the limiting factor has been the volume of pork being produced. Making the situation worse is the retaliatory tariffs of 20% that were announced by Mexico this morning on pork shoulders and hams. This new development will significantly impact the price of hams and bellies and, consequently, the price that packers will be willing to pay for live hogs. Lean hog futures responded by dropping approximately \$2.00 USD/cwt in all of the 2018 contracts and caused the October and December contracts to break into new contract lows. If the market does not trade limit down, producers can still forward contract at values comparable to the three-year average cash price for the critical September – December timeframe.

Canadian delivered soymeal prices opened higher this morning. Tweets are supportive? That's what some ag commentators are suggesting this morning as President Trump and Ag Secretary Perdue tweet messages supporting the US farmer. Their comments may be genuine, but the reaction from those on the other end of the bargaining table are not leading to any bullish reactions. Mexico is announcing import tariffs (including pork) and the Chinese negotiators have stated any steel/aluminum tariff will void the agreements to purchase more US products made earlier last week null. In other news, the first numbers on condition for beans came out yesterday with the USDA reporting 75% of the crop in good/excellent condition, the highest rating at this time since 2010.

US corn futures opened higher this morning. Ongoing trade disputes on multiple fronts are having a pressuring effect on many markets, but US corn is supported this morning. One reason may be the lowered condition numbers compared to last week, that, depending on who you reference are anywhere between 75% and 78% in good/excellent condition. Typos? The USDA report clearly shows that the corn crop in good/excellent condition for the 18 states responsible for 92% of corn acreage came in at 78%. Add to that some concerns on dry weather ahead in the WCB, and a supported corn market appears to have a slight bullish tone, even in this marketing environment.

US Slaughter	
449,000	Monday
446,000	Year Ago
Daily Prices	
W. Corn Belt	\$70.77
National	\$72.31
Iowa/S. MN.	\$70.81
ML Signature 5	\$166.81
HyLife (prev. day)	\$164.98
TCP/BP2	\$166.81
BoC Rate (Noon) prev. day	
\$1.2928 CAD / \$0.7735 USD	
Cash Prices Week Ending June 2, 2018	
Signature 3	159.20/72.21
Signature 4	162.77/73.83
Signature 5 Brandon	160.99/73.02
h@ms Cash	159.49/72.34
HyLife	161.75/73.37
TCP/BP2 Moose Jaw/Langley	155.77/70.66
2018 Top-Up Estimate	
\$4.43/ckg (call for details)	
ISO Weans	\$27.75 US Avg.
Feeder Pigs	\$49.06 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		165.73 170.71	161.86 167.96	138.81 152.66	136.21 140.08	121.44 133.16	120.39 124.30	123.99 135.82	136.29 138.39	139.87 141.63	141.49 151.86
Soymeal Wpg/S. Man Delivered	530	533	532	534	534	533					

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