

Hog Margin Outlook

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Wednesday, June 06, 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 gained nearly \$1.00 USD/cwt in yesterday's trade in a move more that is more in line with the typical trend at this time of year. Hog supplies available to packers are tightening with yesterday's slaughter reported at 453,000 hogs which is well short of the US daily capacity. Yesterday's announcement from Mexico that it would be applying a 20% tariff on pork shoulders and legs took the market sharply lower with several contracts hitting new contract lows. However, support coming from the cash market and wholesale pork prices helped calm some of the concern, and most contracts recovered to finish only slightly lower on the day. Early trading this morning has all contracts higher, returning prices to the middle of their one-month trading range. Due to the expectation of a 5% year over year increase in pork supply for the last half of 2018, and the increasing uncertainty on the trade front, producers should consider protecting 50% of their production at current prices in order to limit losses in the critical fall time period.

Canadian delivered soymeal prices opened lower this morning. US soybean futures continue to trade lower this week as traders take a 'risk off' approach during the current period of uncertainty. Chinese trade negotiators have come to the table with an offer to increase agricultural, natural gas, crude, and coal purchases to \$70 billion, which would be a step in the right direction from the US perspective, but it still falls short of the over \$200 billion in China's trade surplus the Americans are trying to gap. Chinese negotiators, however, have also stated all deals are off it steel and aluminum tariffs go into effect, perhaps shining light on their own negotiating strategy. Warm weather and some moisture now are exactly what growing crops need, but there are some concerns on prolonged heat in the forecast and the subsequent subsoil moisture concerns in some areas.

US corn futures opened mixed this morning. Like beans, US corn traders are waiting for some certainty on the trade front before repositioning. The trade issues are being focused on as mentioned above. But there are also some concerns on thoughts of prolonged heat into the pollination phase for the corn crop. Acreage is 'reduced' to 88 million acres this year so any issues with yield could have a larger-than-normal response from the market. There are also thoughts that a general drawdown in global stocks will take place this year, so the market generally has a bullish tone to it even if the market is trading lower in the interim. US corn planting is effectively completed coming in at 97%. The June WASDE report will be released next week.

US Slaughter	
453,000	Tuesday
436,000	Year Ago
Daily Prices	
W. Corn Belt	\$72.24
National	\$72.97
Iowa/S. MN.	\$72.24
ML Signature 5	\$170.17
HyLife (prev. day)	\$166.03
TCP/BP2	\$170.17
BoC Rate (Noon) prev. day	
\$1.2993 CAD / \$0.7696 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		172.24 177.15	166.48 172.52	143.52 157.21	140.66 144.47	126.70 138.26	125.66 129.52	128.82 140.49	140.95 143.03	143.21 144.95	147.29 157.69
Soymeal Wpg/S. Man Delivered	523	526	526	529	528	529					

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