

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

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 12, 2018

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Forward contract prices opened lower this morning. US cash markets continue to see strong support with daily gains averaging close to \$1.00 USD/cwt over the last week. However, cash bids for live supplies continue to outpace the pork carcass cut-out, subsequently shrinking packer operating margins to their lowest levels in months. When labour and plant costs are considered, packers are already dealing with negative margins that will be a major factor in their procurement program. Lean hog futures continue to experience higher levels of volatility, but the deferred months of 2018 are still trading within \$0.50/cwt of their six-week highs. Given the abrupt reduction in export volumes to China and the high likelihood of tariffs being applied on US pork shipped to Mexico, the potential of the summer market rally is significantly reduced. Producers should use the recent support in the August – February timeframe to secure prices on half of their planned production, in an effort to eliminate the largest risk that producers face in these uncertain market conditions.

Canadian delivered soymeal prices opened higher this morning. Non-threatening US weather (for now), good crop conditions, and ideas that the funds are unwinding some of their long positions have all recently been pressuring the market. Yesterday's crop progress report showed US beans to be rated at 74% good/excellent condition against a 75% rating the previous week and a 71% five-year average. The progress is very good, in other words, so the trade will be closely watching weather for fundamental direction in the short term. There is some support this morning, however, largely on pre-report positioning as the June WASDE report will be released at 11:00 AM Central time. Moderately tighter ending stocks are expected for both new and old crops.

US corn futures opened higher this morning. US corn conditions came in at 77% good/excellent condition in yesterday's Crop Progress report that was in line with market expectations, only 1% lower than the previous week and compares to 67% last year. Like beans, the US corn crop is also in very good condition so far, but the weather will need to remain cooperative for the yield potentials to be achieved. Also, like beans, US corn futures are trading slightly higher on pre-WASDE report positioning where a slight tightening of ending stocks is expected relative to the previous month's report. However, it should be noted new crop corn ending stocks are already significantly lower than old crop numbers suggesting the market could be supported further out.

US Slaughter	
446,000	Monday
411,000	Year Ago
Daily Prices	
W. Corn Belt	\$78.74
National	\$76.34
Iowa/S. MN.	\$78.84
ML Signature 5	\$181.79
HyLife (prev. day)	\$174.15
TCP/BP2	\$181.79
BoC Rate (Noon) prev. day \$1.2993 CAD / \$0.7696 USD	
Cash Prices Week Ending June 9, 2018	
Signature 3	171.37/77.73
Signature 4	167.70/76.07
Signature 5 Brandon	169.53/76.90
h@ms Cash	168.03/76.22
HyLife	168.03/76.22
TCP/BP2 Moose Jaw/Langley	160.99/73.02
2018 Top-Up Estimate	
\$4.19/ckg (call for details)	
ISO Weans	\$20.98 US Avg.
Feeder Pigs	\$43.23 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		175.04 178.55	164.31 170.40	143.89 157.71	141.20 145.06	128.34 140.03	127.29 131.19	130.37 142.14	142.61 144.71	145.36 147.11	148.27 158.69
Soymeal Wpg/S. Man Delivered	509	512	512	517	518	519					

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