

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 14, 2018

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

www.hamsmarketing.ca

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

Forward contract prices opened higher this morning. US cash markets continued their strong rally in yesterday's trade, adding another \$1.00 USD/cwt across all regions. However, pork markets have not kept pace and yesterday's carcass cut-out added only \$0.39/cwt due to weakness in the ham and should cuts. The spread between pork and live hog prices has evaporated which leaves packers with no margin to cover any of their costs such as labour and fixed plant costs. Due to the seasonal influences on hog production, the summer tends to have the tightest supply and results in the most competitive environment for packers to source their live supplies. With the addition of the new US plants last fall, packer profitability could stay under breakeven levels for several weeks. Lean hog futures strengthened to their highest level since late-April, providing a good pricing opportunity for producers to cover their September – December production. Current forward prices exceed last year's cash price average for the same timeframe by \$5.00 CAD/kg despite the expectation of pork production being up 5% and a more uncertain export marketing environment.

Canadian delivered soymeal prices opened lower this morning. The markets are a bit on the defensive side due to the ongoing contentiousness between the US and its trading partners. There is supposed to be a meeting between Trump and top trade advisers today (who appear to be protectionist) where a decision will be made to put into force tariffs on Chinese products that have so far only been threatened. As well, a well-respected analytics firm has suggested 89.9 million acres could have been planted this year against the USDA's 89 million acre estimate which, if true, will add to the supply side on the balance sheet. Export sales were up over the previous week and inspections came in 16% higher than previous week keeping the downside in check for now.

US corn futures opened lower this morning. US corn futures are also on the defensive and trading at their lowest levels in recent memory and not seen since the beginning of the year. The weakness is a function of uncertain trade moving forward combined with private estimates on new crop suggesting another 700,000 acres could have been put into production. Export sales numbers were decent, coming in 12% higher than last week and 2% higher than the four-week average but have so far not been enough news to prevent the sell-off. However, US and global corn stocks will tighten this year so there are expectations that support will return to the market, if supply pipelines remain intact.

US Slaughter	
446,000	Wednesday
432,000	Year Ago
Daily Prices	
W. Corn Belt	\$81.50
National	\$78.76
Iowa/S. MN.	\$81.59
ML Signature 5	\$187.79
HyLife (prev. day)	\$180.25
TCP/BP2	\$187.79
BoC Rate (Noon) prev. day	
\$1.2988 CAD / \$0.7699 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/kg (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		181.06 184.57	172.95 179.04	149.01 162.83	146.40 150.27	130.56 142.26	129.51 133.42	131.24 143.02	143.49 145.59	145.78 147.53	148.74 159.17
Soymeal Wpg/S. Man Delivered	496	499	499	504	506	508					

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Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

STRENGTH IN NUMBERS

