

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

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, June 21, 2018

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Forward contract prices opened lower this morning. US cash markets moved lower in yesterday's trade as packers are unwilling to chase hogs with higher bids and move their operating margins deeper in to the red. Most regions reported a \$0.70-\$0.90 USD/cwt decline in negotiated cash hog prices, while wholesale pork prices made modest gains of about \$0.20/cwt. Competition between packers have not been higher since 2014, when operating margins were squeezed by the sharp reduction in hog supplies caused by the PEDv outbreak. When hog supplies start to recover from their seasonal lows in the fall, the new Seaboard Triumph Foods plant in Sioux City is expected to add a second shift in October which will aid in slaughter capacity. However, pork production is expected to be close to 5% larger than year-ago, and with constraints on export sales to Mexico, China, and Canada, the US pork prices could see significant discounts in order to clear the market.

Canadian delivered soymeal prices opened higher this morning. Commodities markets are called choppy as participants wait to see the next move by China and the USA. The US has already identified \$50 billion in Chinese products for tariffs that will go into effect on July 6; China responded in kind identifying \$34 billion in US products. However, the US administration doubled-down (quadrupled-down?) as President Trump tasked US trade officials with finding an additional \$200 billion (!) for an additional 10% tariff. It is important to remember that the tariffs on either side have not yet gone into effect. But there are arguments those tariffs have been priced in, so if there is a reversal in policy before July 6th, many are suggesting a correction could develop. In the meantime, a choppy trade is not unreasonable to expect.

US corn futures opened higher this morning. It appears US corn futures may have found the interim bottom for now, trading higher for the first time in five sessions that was continuing the trend of pressure that developed around the middle of last month. There is talk the market is oversold at this point, so the reversal is largely seen as a technical development today. Regardless, the market can't fall forever, US corn is still being sold, and global (and domestic) stocks will tighten next year although perhaps not to the degree first thought. In the meantime, US corn is just as susceptible to geo-politics as beans, and if the US/China trade file is any indication of how NAFTA talks will unfold, there is likely more volatility ahead.

US Slaughter	
443,000	Wednesday
437,000	Year Ago
Daily Prices	
W. Corn Belt	\$82.35
National	\$84.42
Iowa/S. MN.	\$82.51
ML Signature 5	\$200.05
HyLife (prev. day)	\$197.26
TCP/BP2	\$200.05
BoC Rate (Noon) prev. day	
\$1.3301 CAD / \$0.7518 USD	
Cash Prices Week Ending June 16, 2018	
Signature 3	190.96/86.62
Signature 4	179.13/81.25
Signature 5 Brandon	185.04/83.93
h@ms Cash	183.54/83.25
HyLife	180.21/81.74
TCP/BP2 Moose Jaw/Langley	169.53/76.90
2018 Top-Up Estimate	
\$3.77/ckg (call for details)	
ISO Weans	\$17.68 US Avg.
Feeder Pigs	\$42.16 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		179.40 180.23	165.98 171.97	141.03 155.16	138.66 141.29	125.08 137.89	124.24 128.00	128.14 139.96	140.55 142.70	143.85 146.12	147.68 158.25
Soymeal Wpg/S. Man Delivered	493	493	497	497	500	501	501				

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