

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, June 22, 2018

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

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

Forward contract prices opened mostly lower this morning. US

cash markets were lower again yesterday with the negotiated, regional cash prices losing approximately \$1.00 USD/cwt. Despite shrinking market ready supplies, packers have been dropping their bids as they are already operating in negative margins and are guarding against even deeper losses. Wholesale pork prices are trading at in the mid-\$80 USD/cwt which are the highest values seen since August of last year. However, the pork cut-out value has experienced more modest gains than is typical for this time of year and is likely seeing impact from the uncertainty on the trade front. With Mexican tariffs on US pork set to move to 25% in two weeks, and Chinese tariffs reportedly inflating to more than 70%, pork traders have genuine concerns about the market's ability to clear all production without large discounts. It is these concerns that have resulted in a 10% decline in lean hog futures values over the last eight days, bringing the market down to near contract lows this morning. Producers should mitigate some of this price risk with forward contracts as downside potential in the 4th quarter is still significant given the large increase in production and export market uncertainty.

Canadian delivered soymeal prices opened even this morning.

While the geo-political trade situation has been featured prominently, the weather and fundamentals are still in play and, importantly, also being watched despite taking a back seat to trade headlines. US export soybean sales have met the USDA's marketing target for the year but are slightly lower than the 101% sales pace seen over recent years. There is a ridge developing near the 'three I' states and into Ohio that could bring in some drier weather, but not enough yet to initiate lost yield, and likely not until the beginning of the next month. It nonetheless will be closely watched. Argentine officials have slightly raised production estimates for the region to 37.2 MMT, but it would still reflect a low from the country not seen in 15 years.

US corn futures opened mixed this morning. US corn futures are two-

sided but are starting the last trading session of the week on a weaker note. Despite some bullish potential (drier weather in July, lower global stocks, and buying ahead of tariff implementation), the trade can't shake off the gloomy export outlook and uncertainty over trading relationships. Export numbers for week ending June 14th showed sales down 82% from the previous week even though week over week increases were recorded for Mexico, the US's current #1 export destination for corn. Mexico has announced \$3 billion in tariffs in response to the steel and aluminum issue that seems 'old' now and is extraneous to the current challenges with NAFTA renegotiations.

US Slaughter	
444,000	Thursday
437,000	Year Ago
Daily Prices	
W. Corn Belt	\$81.49
National	\$85.04
Iowa/S. MN.	\$81.89
ML Signature 5	\$199.86
HyLife (prev. day)	\$199.08
TCP/BP2	\$199.86
BoC Rate (Noon) prev. day	
\$1.3310 CAD / \$0.7513 USD	
Cash Prices Week Ending June 23, 2018	
Signature 3	200.94/91.15
Signature 4	195.88/88.85
Signature 5 Brandon	198.41/90.00
h@ms Cash	196.91/89.32
HyLife	n/a
TCP/BP2 Moose Jaw/Langley	185.04/83.93
2018 Top-Up Estimate	
\$3.52/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		178.77 179.61	166.44 172.45	141.28 155.46	138.54 141.18	124.72 137.54	123.88 127.64	127.20 139.02	139.62 141.77	142.79 145.06	146.51 157.07
Soymeal Wpg/S. Man Delivered	493	493	497	497	500	501	501				

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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

