

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, June 26, 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 were lower to start the week with negotiated prices down \$0.75 USD/cwt in yesterday's trade. Packers have already bought their live supplies to meet orders to fill July 4<sup>th</sup> demand, so they are expected to 'manage their margin' and cut their bids in an effort to move closer to profitable operation. Wholesale pork prices are trading mixed with fresh cuts like ribs and loins trading lower, while hams, bellies and shoulders all made gains over last week's closing prices. Lean hog futures are recovering some value after all the 2018 contracts lost between \$0.80 and \$1.75 USD/cwt yesterday. These contracts will all likely see influence from the USDA's Quarterly Hogs and Pigs report on Thursday which is likely to contribute additional price volatility. Producers that are looking to add some price certainty to their fall marketings should consider current prices as reasonable considering an expectation of another 5% increase in production and export markets that are far from secure.

**Canadian delivered soymeal prices opened even this morning.** US soybean futures are trading slightly higher this morning, but it would be hard not to panic if one just read the ag press headlines. The general consensus appears to be one of overt bearishness as the trade rift between China and the USA heats up. A trade war has not been officially stated, but there are an increasing number of commentators suggesting the spat is headed in that direction. As such, the tone is certainly bearish and there is a 'risk-off' sentiment within the trade. Yesterday's crop conditions came in even with the previous week at 73% good/excellent. The USDA's Quarterly Grain Stocks and Acreage reports will be released on Friday.

**US corn futures opened higher this morning.** Like beans, US corn futures are trading amid contract lows on a bearish export outlook. Further out, of course, it is widely accepted that new crop will be notably lower than current ending stocks levels on reduced acreage (compared to last year). However, the crop is in great shape so far and the complications with trading relationships in the short to mid-terms are preventing any recovery from taking place. Also, like beans, there is talk today's strength (if you can call it that) is a function of technical features and pre-report positioning, but the market is likely in no position to rally in any significant way. Crop conditions were 1% lower than previous week but still exceptional at 77% good/excellent and in line with expectations.

US Slaughter	
435,000	Monday
434,000	Year Ago
Daily Prices	
W. Corn Belt	\$78.15
National	\$85.26
Iowa/S. MN.	\$78.31
ML Signature 5	\$195.94
HyLife (prev. day)	\$199.69
TCP/BP2	\$195.94
<b>BoC Rate (Noon) prev. day</b> \$1.3303 CAD / \$0.7517 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	196.17/88.98
TCP/BP2 Moose Jaw/Langley	185.04/83.93
2018 Top-Up Estimate	
\$3.52/ckg (call for details)	
ISO Weans	\$18.14 US Avg.
Feeder Pigs	\$39.89 US Avg.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #5		179.08	167.70 173.69	142.76 156.91	140.10 142.73	127.01 139.81	126.18 129.93	129.84 141.67	142.26 144.41	145.51 147.78	149.14 159.70
Soymeal Wpg/S. Man Delivered	491	491	496	496	495	496	496				

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STRENGTH IN NUMBERS

