

# Hog Margin Outlook

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Friday, July 06, 2018

Hog Prices:  $\uparrow\downarrow$  Soymeal:  $\uparrow$   
Corn:  $\uparrow$  CDN Dollar:  $\uparrow$

**Forward contract prices opened mixed this morning.** US cash markets are finishing the week lower with most regions reporting a drop in cash bids of about \$1.00 USD/cwt. While packers are hoping to make up for the reduced slaughter week due to the holiday, they are not willing to chase hogs with higher bids and apply more pressure to their operating margins. Pork sales volumes are reportedly still strong with retailers completing their sales strategies that were planned in the spring when wholesale pork was close to 15% cheaper than it is today. However, traders are concerned by the supply that will come to market in the fall, especially if retailers shift their focus to other proteins after pork has had a significant share of the features in the summer timeframe. This helps to explain the larger than average discount the October lean hog futures contract is trading relative to the August contract. Producers still looking for price protection in the fall and winter timeframe should consider any 'up' days as an opportunity to sell.

**Canadian delivered soymeal prices opened lower this morning.** Most of the news outlets this morning are covering the tariffs that went into effect at midnight, July 6 (i.e. today). There is talk that as much as 1 MMT of beans currently sold to China could be cancelled. However, most commentators and analysts are of the view that the market already has 'priced in' the fallout of such tariffs weeks ago when they were first announced. As a result, the market has moved 'counterintuitively' higher and is trading with some strength to finish the week. Double-digit gains are being seen across most contracts on thoughts that the market has bottomed out for now and ideas that US bean cancellations could be picked up by Brazil who would subsequently have to buy from the US to meet demand representing a net loss to the US of near-zero.

**US corn futures opened higher this morning.** Like beans, US corn futures are coming off the lows on thoughts that the funds and managed money may be entering the market after sitting on the sidelines for the past while. Other than some hot and dry weather in the forecast, the fundamentals have not changed much, and crop conditions are historically good according to the last Crop Progress report. There is talk that any progress made on the trade file will be seen as supportive. However, there are no indications that either side of the China/US trade dispute backing down in what could be the beginning of a longer-than-ideal trade disruption.

US Slaughter	
461,000	Thursday
442,000	Year Ago
Daily Prices	
W. Corn Belt	\$77.90
National	\$82.12
Iowa/S. MN.	\$77.90
ML Signature 5	\$189.42
HyLife (prev. day)	\$189.96
TCP/BP2	\$189.42
<b>BoC Rate (Noon) prev. day</b>	
\$1.3129 CAD / \$0.7617 USD	
Cash Prices Week Ending July 07, 2018	
Signature 3	187.86/85.21
Signature 4	193.03/87.56
Signature 5 Brandon	190.45/86.39
h@ms Cash	188.95/85.71
HyLife	n/a
TCP/BP2 Moose Jaw/Langley	194.83/88.37
2018 Top-Up Estimate	
\$3.51/ckg (call for details)	
ISO Weans	\$16.20 US Avg.
Feeder Pigs	\$39.92 US Avg.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		168.01 174.03	137.15 151.32	134.74 137.33	122.49 135.11	121.55 125.25	127.09 138.99	139.46 141.70	143.19 145.42	146.82 151.94	165.07 167.89	167.18 172.99
Soymeal Wpg/S. Man Delivered	483	487	487	487	486	486						

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