

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, July 10, 2018

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

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

Forward contract prices opened lower this morning. US cash markets were lower to start the week with the Midwestern regions reporting declines around \$0.50 USD/cwt. While packers are still seeing some impact from last week's reduced marketings (due to the holiday), the hog supply is moving to its tightest level for the year. Based on the typical trend in hog supplies, hog numbers will start to grow over the next two weeks and will continue for the next 5 months. Wholesale pork prices are holding near steady for now, with gains in the belly primal offsetting weakness in hams. Yesterday, lean hog futures broke into new lows for most offered contracts with all contracts, except for July, losing more than \$2.50 UDS/cwt. Traders have grown very concerned about the impact of the ongoing trade disputes with China and Mexico as pork is likely to experience some of the most challenging tariffs of all commodity groups. Producers looking for price protection for the fall and winter months should use a recovery of \$5.00 CAD/kg as a target to get some coverage for the September – February timeframe.

Canadian delivered soymeal prices opened higher this morning. US soybean futures have stabilized since yesterday's sell-off even though there are thoughts there is more fund liquidation on the way. In fact, there are some analysts suggesting that if beans break through critical support levels, prices below \$8.00 USD/bu. are indeed possible. In the meantime, it will be difficult for beans to make any progress on the upside until some of the China/USA trade issues are resolved even though supply lines will likely change, and US beans will ultimately be sold (perhaps, even to China who cannot sole-source beans or completely avoid the US for now). The Crop Progress report left the soybean good/excellent rating unchanged at 71% where a 1% decline was expected.

US corn futures opened lower this morning. US corn futures continue to drift lower under pressure from uncertainty on the NAFTA front and crop conditions that were unsurprising. While the good/excellent rating did fall 1% to 75%, the number was right in line with trade expectations and still a very good rating for this time of year historically. There is talk that there is still a lot of the old crop that needs to be sold before the new crop harvest is underway and with little to no progress made on the NAFTA file, the ability for the USA to efficiently and effectively sell corn to its number one customer (Mexico) is being increasingly called into question.

US Slaughter	
444,000	Monday
437,000	Year Ago
Daily Prices	
W. Corn Belt	\$76.86
National	\$81.81
Iowa/S. MN.	\$76.85
ML Signature 5	\$187.35
HyLife (prev. day)	\$188.70
TCP/BP2	\$187.35
BoC Rate (Noon) prev. day \$1.3097 CAD / \$0.7635 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	190.95/86.61
TCP/BP2 Moose Jaw/Langley	194.83/88.37
2018 Top-Up Estimate	
\$3.51/ckg (call for details)	
ISO Weans	\$17.70 US Avg.
Feeder Pigs	\$32.76 US Avg.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		155.17 161.21	130.16 144.36	127.62 130.22	114.70 127.34	113.76 117.46	119.05 130.94	131.42 133.65	137.42 139.66	141.39 146.53	162.26 165.09	164.38 170.20
Soymeal Wpg/S. Man Delivered	485	489	489	489	487	487						

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