

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, July 13, 2018

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

www.hamsmarketing.ca

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

Forward contract prices opened higher this morning. US cash markets fell sharply in yesterday's trade with the Midwestern regions dropping approximately \$2.50 USD/cwt (or 3.3%) from the previous day's trade. With wholesale pork prices moving steadily lower for the last ten days amid some of the lowest production levels of the year, packers have likely shifted their buying program to reflect the new market conditions. While normal seasonality in cash markets typically sees the remaining two weeks of July reflect firmer prices, packers may already be working to prepare for the fall's record production and tariff-constrained export sales. Lean hog futures recovered a significant portion of the losses experienced earlier in the week, but the fall and winter months are still trading about 10% lower than levels seen last week. Current forward contract offerings for the fourth quarter are therefore well below benchmarks meaning a more substantial move higher is likely necessary before a decent hedging opportunity resurfaces.

Canadian delivered soymeal prices opened lower this morning.

Markets remain under pressure from uncertainty related to the ongoing trade issues and follow-through selling after the WASDE report was released yesterday. While the old crop came in below the average trade estimates at 465 million bu., (i.e. supportive) the new crop estimates provided rationale for further downside among the deferred contracts. 2018/19 ending stocks came in at 580 million bu. compared to the 471 million bu. pre-report estimate as the USDA attempted to quantify the net-impacts of ongoing trade uncertainty and new marketing opportunities. The market will now likely turn its attention to the daily issues of the export saga once again, which, since the disputes began, has never really gone away as an influence.

US corn futures opened lower this morning. US corn futures are, like beans, under pressure, having received only fleeting support from yesterday's WASDE report. The market was expecting old crop ending stocks to be near 2.107 billion bu., but instead came in at 2.027 billion bu. New crop ending stocks are estimated by the USDA at 1.552 billion bu., a figure that is well below the 2-plus billion of the old crop and also under the 1.712 average pre-report guess. Lower production and a global drawdown in stocks was (and is) largely expected in the new crop marketing year, but the USDA also cited expectations of strong export sales in the food, seed and industrial categories as well as high current outstanding sales as rationale for the lower estimates yesterday.

US Slaughter	
459,000	Thursday
441,000	Year Ago
Daily Prices	
W. Corn Belt	\$73.31
National	\$80.99
Iowa/S. MN.	\$73.68
ML Signature 5	\$183.10
HyLife (prev. day)	\$187.46
TCP/BP2	\$183.10
BoC Rate (Noon) prev. day \$1.3166 CAD / \$0.7595 USD	
Cash Prices Week Ending July 14, 2018	
Signature 3	182.76/82.90
Signature 4	190.27/86.31
Signature 5 Brandon	186.52/84.60
h@ms Cash	185.02/83.92
HyLife	187.96/85.26
TCP/BP2 Moose Jaw/Langley	190.45/86.39
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		155.90 161.96	127.20 141.44	124.63 127.23	110.53 123.21	109.58 113.30	115.17 127.11	127.59 129.84	132.34 134.59	136.10 141.25	157.36 160.20	159.49 165.33
Soymeal Wpg/S. Man Delivered	479	483	482	480	478	478						

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