



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 02, 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 lost another \$1.75 USD/cwt in yesterday's trade with a negative market mindset adding to the downward pressure in the cash market. Market participants have been delaying purchases and are waiting for heavier production weeks in order to avoid carrying higher priced inventory and subsequently taking losses. A positive signal came from wholesale pork prices yesterday as belly prices found support following a freefall over the last two weeks while hams were trading at their highest level in a month. Nothing has fundamentally changed on the trade relationship front. However, Mexico and the US are conducting bilateral meetings over NAFTA this week while rumors of another round of US tariffs on Chinese products from the White House yesterday diminished any optimism of a resolution to that trade dispute. All the remaining 2018 lean hog futures contracts made new lows this morning, reflecting the lack of any positive developments on trade and the expectation of record large supplies. Producers should consider setting targets on their winter production at near \$10 CAD/kg higher than current forward price offerings which could still hit given the volatile market.

Canadian delivered soymeal prices opened even this morning. US soybean futures are under pressure to start the session as trade concerns return front-and-centre. Some mixed messages are coming from the US as Trade Rep Lighthizer increases the tough talk while Secretary Mnuchin takes a more diplomatic approach. The net result is more uncertainty over the status of the talks and there is talk the current tack is only going to damage the USA's reputation with the Chinese in the longer term. The 'good news' is that beans are in heavy demand globally and there are only three major suppliers including the US. In the meantime, the trade will likely see more volatility until a (new) dynamic is (re) established.

US corn futures opened mixed this morning. US corn futures were following soybeans lower, but the deferred contracts are showing some signs of stabilizing. The market is still residing amid the lows, however, and a strong turnaround is extremely unlikely. It is an understatement to state there is a lot of uncertainty with global trading and until that uncertainty is resolved, there will likely be many more choppy and two-sided trading days. In the meantime, one must remember that the analysts are expecting a global and domestic drawdown in stocks for the new crop. Until trade issues are resolved, however, the market looks more bearish than bullish in the short term.

US Slaughter	
459,000	Wednesday
443,000	Year Ago
Daily Prices	
W. Corn Belt	\$57.59
National	\$70.46
Iowa/S. MN.	\$57.67
ML Signature 5	\$149.93
HyLife (prev. day)	\$161.42
TCP/BP2	\$149.93
BoC Rate (Noon) prev. day	
\$1.3002 CAD / \$0.7691 USD	
Cash Prices Week Ending July 28, 2018	
Signature 3	158.41/71.85
Signature 4	177.47/80.50
Signature 5 Brandon	167.94/76.18
h@ms Cash	166.44/75.50
HyLife	174.05/78.95
TCP/BP2 Moose Jaw/Langley	179.95/81.62
2018 Top-Up Estimate	
\$3.82/ckg (call for details)	
ISO Weans	\$16.65 US Avg.
Feeder Pigs	\$23.41 US Avg.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5		114.42 128.49	111.95 114.52	98.71 111.24	97.78 101.45	105.69 117.51	117.97 120.20	124.36 126.59	127.78 132.86	153.31 156.11	155.41 161.17
Soymeal Wpg/S. Man Delivered	495	494	494	495	495						

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h@ms Marketing Services will be closed Monday, August 6

for the 'August Long Weekend'. Forward contracting will be suspended and the HMO and Opening Price reports will not be published.

Normal business resumes on Tuesday, August 7.