

# Hog Margin Outlook

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Tuesday, August 07, 2018

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

## Forward contract prices opened mostly lower this morning.

US cash markets have started the week off on a weaker note as markets were open during yesterday's civic holiday (Canada). All reporting regions were lower for Tuesday values as well, continuing the trend. Weekly slaughter came in at 2.320 million hogs on Monday's report representing a 3.7% increase in numbers over last year. Bellies took another hit on Friday and were \$10.33 USD/cwt. lower bringing the carcass value down net \$1.56 USD on the day. Lean hog futures are still struggling with the thoughts of increasing slaughter numbers at the same time export opportunities are limited which is placing more pressure on domestic channels for disappearance. While export numbers show increased volume relative to last year, it is widely expected to contract in subsequent reports due to the tariffs. Mexico numbers, for example, shows imports declined by 5 million lbs. relative to last year and China imports have declined by 34%. The good news is that US pork will get sold at some point and perhaps even be priced at a discount that is large enough to be competitive in some markets. However, that is the important point; pork will move only if it is cheap enough to offset tariff impacted markets or attract new customers at a discount.

## Canadian delivered soymeal prices opened lower this morning.

While some in the ag press were highlighting Friday that the November contract has closed three consecutive weeks higher than at the beginning of the past three weeks, context is important. While the above sentiment is true, November beans (new crop) are still trading at the lower end of the overall range. November beans have indeed come back from contract lows, but trade uncertainty is still weighing down the market for now. Today, soybean futures are trading higher, continuing the trend seen last week.

**US corn futures opened lower this morning.** November beans and December corn charts look very similar, likely due to the uncertainty in the export trade and the application of tariffs by two major US trading partners. There is talk that the initial turn lower was a bit overdone and that the current 'recovery' (if one can call it that) represents a needed correction. In any event, US corn futures will likely be pressured until the new crop starts to become drawn down as has been suggested for weeks. In the meantime, more pressure could materialize if speculators take profits on interim rallies.

US Slaughter	
395,000	Monday
381,000	Year Ago
Daily Prices	
W. Corn Belt	\$53.03
National	\$66.44
Iowa/S. MN.	\$52.99
ML Signature 5	\$139.66
HyLife (prev. day)	\$151.82
TCP/BP2	\$139.66
<b>BoC Rate (Noon) prev. day</b>	
\$1.2983 CAD / \$0.7702 USD	
Cash Prices Week Ending August 04, 2018	
Signature 3	141.53/64.20
Signature 4	164.93/74.81
Signature 5 Brandon	153.23/69.50
h@ms Cash	151.73/68.82
HyLife	162.29/73.61
TCP/BP2 Moose Jaw/Langley	167.94/76.18
2018 Top-Up Estimate	
\$4.07/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		116.77 123.52	114.35 116.93	100.09 112.62	99.15 102.83	108.69 120.49	120.96 123.18	128.23 130.45	132.03 137.12	158.06 160.86	160.16 165.93
Soymeal Wpg/S. Man Delivered	482										

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