

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, August 28, 2018

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

www.hamsmarketing.ca

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

US Slaughter	
466,000	Monday
449,000	Year Ago
Daily Prices	
W. Corn Belt	\$36.91
National	\$50.32
Iowa/S. MN.	\$36.94
ML Signature 5	\$101.92
HyLife (prev. day)	\$115.45
TCP/BP2	\$101.92
BoC Rate (Noon) prev. day	
\$1.2986 CAD / \$0.7700 USD	
Cash Prices Week Ending August 25, 2018	
Signature 3	93.41/42.37
Signature 4	124.37/56.41
Signature 5 Brandon	108.89/49.39
h@ms Cash	107.39/48.71
HyLife	121.86/55.28
TCP/BP2 Moose Jaw/Langley	121.27/55.01
2018 Top-Up Estimate	
\$5.15 ckg (call for details)	
ISO Weans	\$18.23 US Avg.
Feeder Pigs	\$18.80 US Avg.

Forward contract prices opened lower this morning. US cash markets were stable in yesterday's market with negotiated prices in the Mid-western regions reporting prices at just under \$37 USD/cwt. The CME cash index is currently running near \$48 USD/cwt and better represents the value for which most of the hogs in the US are being sold. The CME index reflects the price of animals that are purchased on a pricing formula, which includes the value of the pork carcass cut-out; the aggregate value of wholesale pork primal cuts. Currently, there is an \$18 USD/cwt difference between the value of the pork carcass cut-out and the cash index price of a hog which suggests that packers have healthy operating margins and have incentive to increase production. However, hog supplies are abundant and are expected to grow to record levels over the next three months which will likely reduce competition between packers. Given the current cash market and seasonality, forward prices for the remaining weeks in 2018 and early 2019 represent a good opportunity to hedge with values that were only \$10 CAD/pkg lower than the 3-year average for the Oct – Feb timeframe.

Canadian delivered soymeal prices opened lower this morning. US soybean futures remain under pressure for the second day this week but have backed off from the more intense move lower seen on Monday. Ideas that the US crop could get bigger are providing rationale for the move and even though new crop acreage and production will be lower than the previous year, there are expectations based on projected usage and a 53 bpa yield that suggest ending stocks will be among the highest ever on record at potentially more than 800 million bu. An ending stocks number that high would push the stocks-to-use ratios over 20%. For soybeans, a ratio of 12% is considered pressuring for prices.

US corn futures opened lower this morning. Pressure remains on US corn futures that are still residing amid contract lows. The support seen earlier in the month was fleeting and the trade has yet to gain any real traction in the face of export uncertainties. Crop tours have suggested a national yield coming in slightly lower than current USDA projections and while ending stocks are expected to be lower than the old crop's 2 billion-plus bushels, the trade still cannot shake off the bearish tone that brings US prices under \$3.50 USD/bu in the nearby futures contract today.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #5			117.86 119.95	115.41 124.02	114.48 118.14	120.27 135.35	138.14 140.88	140.99 146.45	147.97 155.73	154.88 167.28	165.84 178.36
Soymeal Wpg/S. Man Delivered	441	438	440	443	443						

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STRENGTH IN NUMBERS

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h@ms Marketing will be closed Monday, Sept. 3

for Labour Day (Canada and USA). The HMO and Opening Prices will not be available and forward contacting will be closed. Normal business resumes Tuesday, September 4.

