



Hog Margin Outlook

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Wednesday, June 10, 2015

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

Forward contract prices opened mixed this morning. US cash markets were lower again yesterday, with abundant hog numbers and heavier carcass weights contributing to the counter-seasonal trend. Daily slaughter levels have been running more than 420,000 hogs, exceeding most trade participants' expectations. In spite of the ample supply, wholesale pork prices were higher yesterday with the pork cut-out gaining \$1.50/cwt in yesterday's trade. Recent indications of domestic and export demand have been positive which has prevented a collapse in hog prices. All offered Lean Hog futures contracts are discounted from the current cash market, a rare circumstance for this time of year as hog numbers typically bottom out in July or early August. While Lean Hog futures are up slightly this morning, traders remain cautious. It seems there is greater certainty of maintaining the heavy supplies than of maintaining the gains experienced in demand over the last two months. Pressuring forward contract prices is the Canadian Dollar which is up 75 basis points against its US counterpart, in part due to higher commodity prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed. There is talk that while field wetness has prevented some planting last week, 95% of national beans could be planted this week if no weather delays materialize. Light trading volumes are expected ahead of the WASDE report, set for release at noon, Eastern. There is talk that the local meal market could heat up amid anecdotal evidence local US crushers are having difficulty sourcing supplies which could influence a near term spike in meal prices until pipelines become replenished.

Canadian delivered corn prices opened higher this morning. Emerged corn is at 91%, just slightly above the 5-year average of 90% and 7% above last year; corn condition was reported as 75% good/excellent in the latest Crop Progress report. Traders and industry partners will be watching the WASDE report today for mid-term market direction following fresh estimates from the USDA. Pre-report comments suggest not much variance from last month's report, adding some stability to the trade, but private ending stocks for 2015/16 estimates ahead of the report vary by over 400 million bu, adding some uncertainty.

| US Slaughter | |
|--|--------------------|
| 423,000 | Tuesday |
| 410,000 | Tuesday (year ago) |
| W. Corn Belt | \$78.42 |
| National Price | \$82.05 |
| Daily Sig 3 | \$177.05 |
| Daily Sig 4 | \$179.38 |
| Thunder Creek | \$176.72 |
| 4-Month Fwd. | \$ 158.71 |
| B of C Ex. Rate (Noon) | |
| \$1.2317 CAD/ \$0.8119 USD | |
| Cash Prices Week Ending June 06, 2015 | |
| Signature 3 | 182.72/82.88 |
| Signature 4 | 181.64/82.39 |
| h@ms Cash | 181.22/82.20 |
| Hylife | 180.19/81.73 |
| Thunder Creek | 181.10/82.15 |
| ISO Weans | \$32.98 US Avg. |
| Feeder Pigs | \$55.70 US Avg. |
| #1 Export Sows (Tagged) \$32.00 cwt. (+500lbs.) | |

| Fixed Forward Range (at opening) | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|----------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 172.28 178.46 | 160.70 172.61 | 151.15 156.77 | 140.78 153.74 | 132.34 137.97 | 137.41 141.35 | 137.41 152.08 | 146.98 152.65 |
| Maple Leaf Sig. #4 | | 171.62 176.40 | 164.54 170.42 | 151.70 164.11 | 146.58 153.56 | 136.11 143.09 | 140.04 143.53 | 140.04 150.13 | 150.78 152.76 |
| Soymeal Winnipeg Delivered | 472 | 470 | 455 | 449 | 438 | 437 | 437 | | |
| Corn Wpg, Delivered | 190 | | | | | | | | |

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