



Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, June 12, 2015

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

Forward contract prices opened lower this morning. US cash markets are finishing the week lower than where they started, as abundant supplies have packers finding it easy to meet their planned production schedules. The pork cut-out has been relatively stable over the week, which has allowed packer operating margins to improve by lowering their hog costs. Hog slaughter is expected to come in close to 2.13 million hogs this week, which would exceed 2013 levels by close to 7%. Offsetting some of the burdensome supply is improved pork demand, both domestic and export. The net impact of high beef and low chicken prices on pork has been marginally positive in the US, as consumers have looked for alternatives to beef and have identified the variety of products that pork offers as good value. However, heavy supplies are the primary factor driving Lean Hog futures, with all offered contracts trading at a discount to the current cash market. Fixed forward contract prices for the Oct – Dec timeframe are valued around 20% lower than the current cash price, which reflects the normal seasonal trend from summer to winter.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading lower on weakness in corn, falling Chinese soybean prices, decent weather and an expectation that meal values will soon weaken in European and S. American markets. Support comes from thoughts that some forecasted rain, while beneficial to emerged crops, could hamper planting for some remaining soybean acreage yet to be put in the ground. Support comes from decent export data, now 102% of USDA expectations, relative to a 5-year average of 99.8%.

Canadian delivered corn prices opened even this morning. Weakness in corn follows pressure from wheat and two official reports from the USDA (WASDE) and Brazil's CONAB indicating Brazil's Safrinha (second) corn crop will produce more than previous estimates. While both agencies added the 'extra' production to carryout estimates, there is talk that Brazil will likely not be incented to retain this new production, opting instead to sell on world markets amid a weak economic outlook (corn is settled in USD). There are rumors Chinese buyers have cancelled up to 6 loads of DDGs, further supporting the notion of feed "saturation" in China.

US Slaughter	
422,000	Thursday
411,000	Thursday (year ago)
W. Corn Belt	\$78.09
National Price	\$81.65
Daily Sig 3	\$176.26
Daily Sig 4	\$178.46
Thunder Creek	\$176.45
4-Month Fwd.	\$ 155.66
B of C Ex. Rate (Noon)	
\$1.2314 CAD/ \$0.8121 USD	
Cash Prices Week Ending June 13, 2015	
Signature 3	177.84/80.67
Signature 4	179.93/81.62
h@ms Cash	176.34/79.99
Hylife	n/a
Thunder Creek	182.60/82.83
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	Mar
Maple Leaf Sig. #3		169.28 175.50	157.80 169.50	148.18 153.84	137.86 150.55	129.37 135.03	134.47 138.43	134.47 146.37	141.29 146.93	143.89 147.27
Maple Leaf Sig. #4		168.74 173.57	161.80 167.43	148.86 161.36	143.81 150.51	133.28 140.30	137.23 140.74	137.23 144.58	145.24 147.21	144.91 149.50
Soymeal Winnipeg Delivered	471	469	454	446	432	429	429			
Corn Wpg, Delivered	190									

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