



# Hog Margin Outlook

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Monday, June 15, 2015

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

**Forward contract prices opened lower this morning.** US cash markets were under steady pressure last week, losing approximately \$1.50/cwt, with abundant supplies being the primary factor for the weakness. US hog slaughter was estimated at 2.128 million hogs, 9% higher than in 2013. When the difference in the average carcass weights are accounted for, pork production was a whopping 13% larger than in the same week of 2013 and 10% larger than last year. Over the last two weeks, the production outlook for the last half of 2015 has fundamentally changed. October and December Lean Hog futures have lost about 10% of their value on concerns of heavy production in this timeframe. If hog slaughter is maintained at the current levels of 9% larger than 2013 levels, there will be weeks when the hog supply will exceed the capacity levels. Current fall prices reflect a 'normal' seasonal decline, which assumes an average increase in hog supply but does not a situation where packer capacity is exceeded. Producers without protection in the Sep – Dec period should start to get some price protection in place at current prices in order to mitigate this risk.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower. Thoughts of high yields for new crop are pressuring the trade this morning despite talk that recent and forecast rain across critical growing areas could prevent the planting of some of the oilseed. Estimates are running as high as 6 inches of rain under a system that will ultimately stretch from the Gulf to the Great Lakes over the next 5 days. Private estimates suggest 86% of the crop will be planted compared to 90% last year, indicating a slowing trend in soybean planting.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower. With the planting season off to a great start for corn, thoughts that the forecast rain could damage crops may prove to be supportive for the trade as flooding is expected in some areas and there is talk that, until this point, not much of weather premium has been built into the market. On the other hand, China has cancelled 2 orders of DDGs and there is talk of additional cancellations. As well, there are expectations China will also lower the price of domestic corn in order to curb (cheaper) import demand and draw down reserves rumored to be as high as 120 MMT.

US Slaughter	
2.128 mil.	Last Week
1.914 mil.	Last Week (year ago)
W. Corn Belt	\$77.65
National Price	\$81.50
Daily Sig 3	\$175.13
Daily Sig 4	\$177.99
Thunder Creek	\$175.07
4-Month Fwd.	\$ 148.24
B of C Ex. Rate (Noon)	
\$1.2304 CAD/ \$0.8127 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	178.14/80.80
Thunder Creek	182.60/82.83
ISO Weans	\$24.90 US Avg.
Feeder Pigs	\$52.59 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		165.55 166.12	152.77 163.83	143.16 148.81	132.83 145.71	124.33 130.00	129.43 133.40	129.43 141.78	136.68 142.35	139.01 142.41
Maple Leaf Sig. #4		165.14 167.55	156.92 161.94	144.00 156.48	138.95 145.82	128.41 135.44	132.36 135.87	132.36 140.15	140.80 142.78	140.21 144.82
Soymeal Winnipeg Delivered	469	467	451	444	430	428	428			
Corn Wpg, Delivered	190									

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**WINNIPEG LIVESTOCK**  
Hwy #6 AND RD 236

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