



Hog Margin Outlook

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Friday, June 26, 2015

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

Forward contract prices opened higher this morning. US cash markets are finishing the week lower than where they started, dropping approximately \$2.00/cwt as live hog supplies remain abundant. Packers are dealing with profitable operating margins, but wholesale pork prices have been slipping lower recently, at a time when they are typically amongst the highest for the year. In the futures market, the focus of today's trade is preparing for the Hogs and Pigs report which has attached to it, significant uncertainty. The table to the right represents a pre-report survey of industry participants and their estimates for the various categories. The range of estimates is larger than normal, reflecting the uncertainty in the coming hog supply which may translate into highly volatile market conditions. Two categories where there could be significant discrepancies are the Pigs kept for Breeding (+1.5% over 2013) and the 50-119lb category (+0.3% over 2013) which represents the hogs coming to market in Aug-Oct. These numbers appear inconsistent with the reality of the hog slaughter of recent weeks that have averaged 8% larger than 2013 levels. Producers are encouraged to forward contract as much as 50% of their fall and winter production ahead of this afternoon's report.

	% from Last Year	% change from 2013
All hogs	107.8	1.8%
Breeding	102.0	1.5%
Marketing	108.6	2.0%
>180 lbs.	109.9	4.7%
120-179 lbs.	109.4	1.2%
50-119 lbs.	108.3	0.3%
<50 lbs.	107.5	2.5%

Source: Bloomberg, Meyer and Steiner

US Slaughter	
418,000	Thursday
399,000	Thursday (year ago)
W. Corn Belt	\$74.09
National Price	\$78.46
Daily Sig 3	\$167.68
Daily Sig 4	\$171.95
Thunder Creek	\$165.84
4-Month Fwd.	\$ 136.93
B of C Ex. Rate (Noon)	
\$1.2347 CAD/ \$0.8099 USD	
Cash Prices Week Ending June 27, 2015	
Signature 3	169.61/76.93
Signature 4	173.06/78.50
h@ms Cash	168.11/76.25
Hylife	n/a
Thunder Creek	173.00/78.47
ISO Weans	\$21.89 US Avg.
Feeder Pigs	\$46.17 US Avg.
#1 Export Sows (Tagged)	\$33.50 cwt. (+500lbs.)

Canadian delivered soymeal prices opened higher this morning. Heavier than expected rain and thoughts that yield and production will almost certainly be affected has supported the soy complex to finish off the week. There are thoughts that if this trend continues, Argentine meal will become much more competitive and imports may increase and pressure the price back down. Of course, with the on again/off again labour action in Argentina (most recently at the ports this week), supply pipeline consistency is almost always somewhat uncertain despite being one of the largest exporters of meal in the world.

Canadian delivered corn prices opened higher this morning. US corn futures are trading higher. As with soybeans, the excessively wet weather is supportive as damage is now almost all but certain; the only question the market is asking is 'to what extent'. Monday's Crop Progress report will provide some clues, but the report the trade is most looking forward to is the Acreage report released Tuesday, June 30. With a more accurate acreage estimate (compared to the Intentions report earlier), fresh yield and production estimates will likely start to flood the market as early as mid-next week.

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3			143.94 157.89	136.01 139.97	125.70 136.71	119.45 123.99	124.56 128.53	124.56 134.10	132.40 138.06	135.46 141.12	141.12 145.27
Maple Leaf Sig. #4			150.37 157.95	139.39 149.93	133.59 141.07	125.02 130.73	129.20 132.71	128.98 134.46	137.10 140.17	139.84 144.45	144.63 146.17
Soymeal Winnipeg Delivered	508	505	496	489	481	481	481				
Corn Wpg, Delivered	210										

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