



Hog Margin Outlook

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Tuesday, July 07, 2015

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

US Slaughter	
398,000	Monday
386,000	Monday (year ago)
W. Corn Belt	\$76.44
National Price	\$77.12
Daily Sig 3	\$176.91
Daily Sig 4	\$172.83
Thunder Creek	\$178.20
4-Month Fwd.	\$ 147.65
B of C Ex. Rate (Noon)	
\$1.2626 CAD/ \$0.7920 USD	
Cash Prices Week Ending July 4, 2015	
Signature 3	170.23/77.22
Signature 4	171.01/77.57
h@ms Cash	168.73/76.54
Hylife	169.12/76.71
Thunder Creek	169.00/76.66
ISO Weans	\$19.95 US Avg.
Feeder Pigs	\$39.10 US Avg.
#1 Export Sows (Tagged) \$33.50 cwt. (+500lbs.)	

Forward contract prices opened higher this morning. US cash markets started the week more than \$1.00/cwt higher, as packers were willing to give up some of their positive operating margin in order to ensure that they fully met their production schedules. Gains in the rib and loin primal cuts helped the pork cut-out move higher, but hams continue to be a drag on the benchmark pork price. The most recent week's pork exports came in at 39,000 tons, the highest weekly export volume seen so far this year. A significant improvement in pork exports is critical to working through the huge production of the last month, which has exceeded 2013 levels by about 8%. The heavy supply continues to be the primary concern in the fall month Lean Hog futures which helps to explain why the August and October contracts are trading at a larger-than-normal discount to the cash market. Producers without price protection through the Sep-Dec timeframe should consider covering 40% of their production at current prices, taking advantage of the recent \$10/ckg improvement over the last 10 days.

Canadian delivered soymeal prices opened lower this morning. With good/excellent crop conditions remaining flat from the previous week at 63% (compared to an expected drop to 61%), pressure is also a function of a cautiously optimistic forecast (i.e. less rain across most of the Midwest), and some investment uncertainty as the Greek/Eurozone drama unfolds. As well, July's WASDE report will be released Friday and the expectation is for yields and acres to remain unchanged. However, 2016 beginning stocks estimates are tightening up and with ~3.4 million acres currently unplanted, 2016 ending stocks could be pushed down to 244 million bu., adding support.

US corn futures opened lower this morning. Crop conditions in the good/excellent category inched up 1% to 69% from the 68% last week. By way of comparison, 75 % of the corn crop was in good/excellent condition last year. Improving weather (less rain, but rain nonetheless) in the 6-10 day forecast is pressuring on thoughts that crop development will improve. In fact, improving conditions in the WCB are expected to more than offset the challenges the ECB has been facing with excessive moisture. Export inspections came in lower than the lowest trade expectation, adding pressure.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		156.30 173.40	148.09 152.20	136.66 148.81	130.21 134.91	135.49 139.60	135.49 148.53	146.77 152.62	153.56 159.42	159.42 163.46
Maple Leaf Sig. #4		162.70 173.14	151.35 162.24	144.61 153.08	135.75 141.65	140.06 143.70	140.06 148.59	151.31 154.49	157.67 162.43	161.21 164.82
Soymeal Winnipeg Delivered	530	518	512	504	505	505				
Corn	Local delivered price available on request									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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