



# Hog Margin Outlook

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Wednesday, July 08, 2015

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

**Forward contract prices opened lower this morning.** US cash markets have been stronger so far this week, but there are indications that packers may have already secured this week's slaughter based on USDA evidence that additional hogs will be added to the Saturday production schedule. Estimated operating margins are still positive, but the combination of higher cash bids and weaker wholesale pork prices have narrowed margins significantly. The wholesale trade has been brisk, but packers have had to give in on prices of all the primal cuts with the exception being the belly primal cut. Most troubling in the meat market has been the ham primal which is trading at less than half the value it was last year, and showing no sign of strength due in part to the heavy supply. Producers should look at covering as much as half or their Sep-Dec production to bring certainty to their cash flow. High production levels in the US continue to exceed most analysts' expectations, leaving the market heavily reliant on the uncertain export market. The weakest Canadian Dollar (US\$0.7850) since late March provides additional rationale to hedge at current prices.

**Canadian delivered soymeal prices opened higher this morning.** The past two sessions saw pressure on talk of a correction to an oversold market (largely spurred on by optimistic weather forecasts). However, the market has turned around once again on news that Missouri, Illinois, Indiana and Ohio could see up to 3.5 inches of rain, preventing fieldwork precisely in the areas that remain unplanted. However, there is talk that Chinese demand could soften on weak economic outlook data, keeping the upside in check. Ending stocks estimates are coming out ahead of Friday's WASDE with the low end in the 200 million bu. area (very low), adding support.

**US corn futures opened higher this morning.** While corn is not experiencing the same challenges as soybeans in terms of fieldwork (the US corn crop is 100% planted), crop condition variability remains a concern. The ECB remains excessively wet with the WCB drying out somewhat. In fact, there was some talk that higher yields in the WCB could offset potential yield loss in the ECB. However there is also talk that the USDA could lower yield expectations in the July WASDE report (only done three times in history), which could compound the issues with potential acreage loss due to recent rain.

US Slaughter	
423,000	Tuesday
400,000	Tuesday (year ago)
W. Corn Belt	\$78.02
National Price	\$77.65
Daily Sig 3	\$182.20
Daily Sig 4	\$175.60
Thunder Creek	\$182.11
4-Month Fwd.	\$ 146.22
<b>B of C Ex. Rate (Noon)</b>	
\$1.2740 CAD/ \$0.7849 USD	
<b>Cash Prices Week Ending July 4, 2015</b>	
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.)	

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		154.89 171.83	146.70 150.79	135.31 147.31	128.88 133.56	134.14 138.23	134.14 146.98	145.23 151.07	151.19 157.02	157.02 162.46
Maple Leaf Sig. #4		161.31 171.61	149.99 160.85	143.26 151.59	134.43 140.31	138.73 142.35	138.73 147.08	149.79 152.96	155.33 160.08	160.08 163.89
Soymeal Winnipeg Delivered	532	523	516	508	509	509				
Corn	Local delivered price available on request									

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