



# Hog Margin Outlook

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Friday, July 10, 2015

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

**Forward contract prices opened lower this morning.** US cash markets are steady to slightly lower to finish the week as packers have easily met their production requirements with the abundant hog supplies. This week's slaughter is on pace for a gain of more than 10% over year ago levels while the average weekly slaughter has been running close to 12% higher. The hog supply has exceeded the June Hogs and Pigs report forecast by a significant margin which contributed to the selloff in Lean Hog futures yesterday. All of the fall and winter contracts lost more than \$2.00/cwt in trade yesterday, taking current prices to near contract lows. Traders are growing concerned about the current heavy hog supply continuing into the fall, and are concerned about the slow pace of exports given the already low prices that are available. Adding to the bearish pressure on pork prices are weakening beef prices, which could serve as a competitor for the domestic consumer's dollar. Producers without protection in the Sep–Dec timeframe should still cover some of their price risk at current prices in order to manage these negative market factors.

**Canadian delivered soymeal prices opened higher this morning.** The soymeal complex is trading higher on pre-WASDE report positioning (analysts' estimates at right) and from more news from forecasters suggesting Corn Belt weather will remain wetter, especially in the ECB where heavy rain is expected on top of the 3.6-3.8 inches in parts of Illinois and Indiana that fell on Wednesday and Thursday. There is talk 2014/15 ending stocks numbers could contract in this month's report, potentially supporting both new and old crop trades.

**US corn futures opened higher this morning.** While pre-report positioning and the weather have supported the US corn trade lately, the market mover will likely be contingent on yield estimates. Of course, it is much too early in the season to really capture this variable accurately, and there is some talk that corn could thrive if not water-logged. However, more rain in the forecast is adding support as the trade waits for less intense (and more timely) rain patterns; there is talk that yields could suffer in some regions if heavy rain does not let up.

July pre-WASDE Report - Analysts' Estimates (bil. bu., except yield in bpa)				
		Low	High	AVG
Soy-beans	Old Ending	0.251	0.330	0.287
	New bpa	43.5	46.1	44.96
	New Prod.	3.580	3.885	3.776
	New Ending	0.193	0.450	0.370
Corn	Old Ending	1.726	1.880	1.811
	New bpa	163.0	169.0	165.39
	New Prod.	13.140	13.945	13.440
	New Ending	1.263	1.910	1.540

Source: Reuters, DLR

US Slaughter	
416,000	Thursday
396,000	Thursday (year ago)
W. Corn Belt	\$78.19
National Price	\$78.69
Daily Sig 3	\$182.43
Daily Sig 4	\$177.80
Thunder Creek	\$182.24
4-Month Fwd.	\$ 139.04
<b>B of C Ex. Rate (Noon)</b> \$1.2729 CAD/ \$0.7856 USD	
<b>Cash Prices Week Ending July 11, 2015</b>	
Signature 3	180.50/81.87
Signature 4	175.30/79.52
h@ms Cash	179.00/81.19
Hylife	n/a
Thunder Creek	171.10/77.61
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		147.47 165.70	139.30 143.38	127.77 140.18	121.34 126.02	126.60 130.70	126.60 139.15	137.40 143.24	143.71 149.55	149.55 155.09
Maple Leaf Sig. #4		154.12 165.66	142.81 153.67	135.98 144.71	127.13 133.03	131.44 135.07	131.44 139.50	142.22 145.39	148.11 152.86	152.86 156.76
Soymeal Winnipeg Delivered	554	541	534	526	525	525				
Corn	Local delivered price available on request									

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