



Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, July 14, 2015

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

Forward contract prices opened higher this morning. US cash markets started the week slightly higher yesterday, resulting in a daily slaughter of 423,000 hogs, a 16% increase over year ago levels. Packers can rationalize the higher bids from the gains in the pork cut-out which experienced an increase of \$1.25/cwt in yesterday's trade. Gains in the loin and rib primal cuts outpaced losses in bellies and hams (which are currently trading near their lowest level of 2015). Lean Hog futures dipped to their lowest level in 2015 yesterday, but mounted a recovery since then reflecting supportive technical indicators. The support currently being seen in the Sep – Dec period represents a good hedging opportunity producers who have yet to cover some of their fall production. The risk of abundant hog supplies pushing cash prices down to multi-year lows this fall is real and can be managed by pricing a portion of fall production at current prices. Adding to the opportunity, the Canadian Dollar is trading within 50 basis points of its lowest level in 2015, positively contributing to Canadian forward prices.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading in a mixed and choppy pattern with all contracts trading higher, and then lower, in the early morning trade. Support comes from thoughts that areas of the ECB could deteriorate further as well as on a weakening USD (potentially boosting US competitiveness). However, there is talk of less rain in the forecast (at least, approaching more normal patterns) and the consensus is the ECB needs a break from the excessive moisture. Crop conditions came in at 62%, 1% lower than the previous week and in line with market expectations.

US corn futures opened lower this morning. With the July WASDE report released, the trade will now focus mostly on weather until such time more accurate yield estimates are available; yield expectations from surveys will be published in the next WASDE report (August). In the meantime, there is talk that WCB conditions (being relatively good) could offset poor yields or acreage losses in the ECB, and if the ECB dries out somewhat, production could exceed expectations. Monday's Crop Progress report showed 69% in good/excellent condition, unchanged from the previous week.

US Slaughter	
423,000	Monday
365,000	Monday (year ago)
W. Corn Belt	\$78.06
National Price	\$79.55
Daily Sig 3	\$182.60
Daily Sig 4	\$180.21
Thunder Creek	\$182.29
4-Month Fwd.	\$ 139.72
B of C Ex. Rate (Noon)	
\$1.2762 CAD/ \$0.7836 USD	
Cash Prices Week Ending July 11, 2015	
Signature 3	180.50/81.87
Signature 4	175.30/79.52
h@ms Cash	179.00/81.19
Hylife	174.36/79.09
Thunder Creek	171.10/77.61
ISO Weans	\$22.58 US Avg.
Feeder Pigs	\$41.87 US Avg.
#1 Export Sows (Tagged) \$33.00 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		151.27 165.55	143.07 147.17	129.08 143.71	122.64 127.32	127.91 132.01	127.91 140.71	138.95 144.80	145.38 151.23	151.23 158.43
Maple Leaf Sig. #4		157.82 168.02	146.48 157.36	137.24 148.13	128.40 134.29	132.71 136.33	132.71 141.01	143.73 146.90	149.73 154.48	154.48 160.02
Soymeal Winnipeg Delivered	541	541	535	530	526	526	523			
Corn	Local delivered price available on request									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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