



# Hog Margin Outlook

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Monday, July 20, 2015

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

**Forward contract prices opened mixed this morning.** US cash markets finished last week with slightly lower bids and packer operating margins estimated to be stable and moderately profitable. Abundant hog supplies continue to pressure hog prices lower, with last week's total slaughter coming in at nearly 2.1 million hogs or about 4.5% larger than 2013 levels. Wholesale pork prices have struggled to make any gains so far this summer, with production outpacing the normal summer trend. Additional pressure has come from slow US pork exports, in particular to Mexico that is the largest destination for the ham primal cut. Consequently, ham prices have been among the weakest of the major pork primals, trading near its lowest level in more than 2 years. Lean hog futures continue to factor the weak fundamentals into the nearby futures months, with the August contract trading at a \$5.00/cwt discount to the current cash market. Producers that have not yet taken price protection in the fall timeframe should look to cover up to half of their planned production at current prices.

**Canadian delivered soymeal prices opened lower this morning.** After the sharp run-up over the last two months, primarily due to wet weather conditions in eastern sections of the US Cornbelt, weather related bullish trends appear to have run their course. The soy complex could see some weakness in the coming weeks, as the forecast is favourable for advancing crop conditions.

**US corn futures opened lower this morning.** Corn futures have gained more than \$1.00/bushel over the last month, with most analysts citing poor growing conditions in Ohio, Indiana and parts of Illinois. However, the latest CFTC reports show a ballooning fund position in the staple commodity, with the largest reported long position on record. Corn markets could see some downside exposure should weather forecasts maintain their optimistic trend.

US Slaughter	
2.090 mil.	Last Week
1.837 mil.	Last Week (year ago)
W. Corn Belt	\$75.52
National Price	\$79.67
Daily Sig 3	\$179.93
Daily Sig 4	\$183.82
Thunder Creek	\$179.74
4-Month Fwd.	\$ 140.18
B of C Ex. Rate (Noon)	
\$1.2998 CAD/ \$0.7693 USD	
Cash Prices Week Ending July 18, 2015	
Signature 3	181.50/82.33
Signature 4	181.51/82.33
h@ms Cash	180.00/81.65
Hylife	180.24/81.76
Thunder Creek	180.90/82.06
ISO Weans	\$19.35 US Avg.
Feeder Pigs	\$38.65 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		156.06 166.31	143.54 150.10	133.69 144.23	124.74 130.70	130.11 134.28	130.11 141.66	145.22 148.19	145.89 150.64	153.60 160.21
Maple Leaf Sig. #4		161.40 168.09	146.62 157.70	139.62 148.33	130.61 136.62	135.00 138.70	135.00 143.16	146.84 150.06	149.90 152.66	155.87 161.10
Soymeal Winnipeg Delivered	546	546	535	525	527	527	521			
Corn	Local delivered price available on request									

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HWY #6 AND RD 236

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