



# Hog Margin Outlook

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Tuesday, July 21, 2015

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

**Forward contract prices opened mixed this morning.** US cash markets started the week slightly lower with most of the cash markets losing about \$0.50/cwt in trade yesterday. Packer operating margins improved slightly, but remain only moderately profitable, with wholesale pork prices holding steady for about the last two months. Higher than expected production has prevented the mid-summer cash market peak that the industry has grown accustomed to. The upcoming Cold Storage report is expected to shed some light on recent pork movement. The market is looking for less than a 15% increase in the amount of pork in inventory on tomorrow's report, which would indicate improved export sales and pork holding its market share against chicken and beef. Lean Hog futures came under pressure in trade yesterday, as traders remain skeptical about the cash market fundamentals over the next several months. However, the Canadian Dollar continues to trade at or near 6 year lows, providing some offsetting support to both cash and forward contract prices.

**Canadian delivered soymeal prices opened lower this morning.** The Crop progress report is expected to confirm the divergent directions of the crop condition throughout the US Midwest. Last week's report showed a 3-4% reduction in the percentage of the crop rated Good – Excellent in eastern portions of the Cornbelt. However, northerly states reflect one of the highest rated crops, as evidenced by Minnesota's soybean crop that ranked at an all-time high 78% Good-Excellent. In general, the market appears tired of the bullish weather reports from the east and the soybean complex appears to have greater downside potential.

**US corn futures opened higher this morning.** A sharply lower close in Corn futures yesterday, opens the door for a larger technical sell-off. Over the last month, Hedge funds have grown their net long position to largest in history, which could fuel a sharp drop in trade later this week. Recent weather may also favour an improvement in crop conditions which could add to the bearish factors.

US Slaughter	
384,000	Monday
372,000	Monday (year ago)
W. Corn Belt	\$74.95
National Price	\$79.64
Daily Sig 3	\$178.35
Daily Sig 4	\$183.51
Thunder Creek	\$178.24
4-Month Fwd.	\$ 138.54
<b>B of C Ex. Rate (Noon)</b>	
\$1.2982 CAD/ \$0.7703 USD	
<b>Cash Prices Week Ending July 18, 2015</b>	
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) \$37.50 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		154.20 164.88	141.74 148.26	132.24 142.41	123.34 129.28	128.68 132.84	128.68 141.61	145.17 148.14	146.72 151.47	154.44 162.11
Maple Leaf Sig. #4		159.55 166.67	144.84 155.87	138.18 146.52	129.21 135.19	133.58 137.26	133.58 143.11	146.79 150.01	150.70 153.46	156.68 162.98
Soymeal Winnipeg Delivered	545	545	535	523	525	525	521			
Corn	Local delivered price available on request									

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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