



Hog Margin Outlook

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Wednesday, July 22, 2015

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

Forward contract prices opened higher this morning. US cash markets traded mixed yesterday, but packers and producers benefited from a sharp rally in wholesale pork prices. The pork cut-out experienced its biggest gain in weeks, adding \$2.00/cwt in yesterday's trade with broad support from almost all of the primal cuts. The cash market needed to see more support on the meat side in order for packers to have the confidence to add more hours to their summer production schedule. This afternoon's release of the Cold Storage Report could add to the bullish trend, if the report shows less than a 15% increase in pork inventory compared to year ago levels. Lean Hog futures responded positively to the firm cash market fundamentals with the nearby August contract gaining more than \$1.50/cwt in trade this morning. While the October and December contracts are also seeing support, they remain heavily discounted from the cash market, reflecting the idea of burdensome fall supplies. Add to this, significantly more chicken production (+7% year-to-date), and the meat protein market is going to be dealing with ample supplies for months.

Canadian delivered soymeal prices opened higher this morning. This week's Crop Progress Report reflected an unchanged condition of the US soybean crop, with 62% of it rated good to excellent. A reasonable expectation for the US average yield is 44 bushels/acre which would be tied for the second highest in history. However, when lost acres in the Eastern Cornbelt due to wet weather are accounted for, ending stocks projections amount to less than 200 million bushels, which is tight enough to keep a weather premium in place. Soybean Meal continues to be the major support for the Soybean complex with larger livestock numbers providing the rationale.

US corn futures opened higher this morning. The US corn crop maintained its condition over the last week, with the USDA reporting that 69% of the crop is rated good to excellent, unchanged for the third consecutive week. Most of the US crop has entered its critical 'Silking' stage of growth, which in large part determines the yield potential of this year's crop. With almost all major growing areas avoiding extreme heat, the market is seeing some bearish pressure due to the possibility of excellent yields.

| US Slaughter | |
|--|--------------------|
| 422,000 | Tuesday |
| 396,000 | Tuesday (year ago) |
| W. Corn Belt | \$74.51 |
| National Price | \$79.48 |
| Daily Sig 3 | \$177.02 |
| Daily Sig 4 | \$182.85 |
| Thunder Creek | \$176.74 |
| 4-Month Fwd. | \$ 142.92 |
| B of C Ex. Rate (Noon) | |
| \$1.2961 CAD/ \$0.7715 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) \$37.50 cwt. (+500lbs.) | |

| Fixed Forward Range (at opening) | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
|----------------------------------|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 158.98 172.74 | 146.42 153.00 | 135.78 147.02 | 126.80 132.78 | 132.19 136.37 | 132.19 143.85 | 147.41 150.38 | 147.96 152.71 | 155.69 162.76 |
| Maple Leaf Sig. #4 | | 164.26 174.34 | 149.44 160.56 | 141.67 151.06 | 132.64 138.66 | 137.04 140.75 | 137.04 145.28 | 148.97 152.19 | 151.91 154.68 | 157.90 163.59 |
| Soymeal Winnipeg Delivered | 557 | 557 | 543 | 529 | 529 | 529 | 521 | | | |
| Corn | Local delivered price available on request | | | | | | | | | |

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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