



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

Hog Margin Outlook

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Thursday, July 23, 2015

Forward contract prices opened higher this morning. US cash markets found support in yesterday's trade, with hog numbers slightly tighter and lower hog carcass weight indicating that producers were current with their marketings. Packers were willing to give up some of the gains they have seen in their operating margins earlier this week due to the firming wholesale pork prices. However yesterday's weaker pork trade was a setback from developing a higher trend, with weakness in Loins, Ribs and Hams resulting in the pork cut-out falling slightly more than \$1.00/cwt. The USDA released its most recent Cold Storage report yesterday, which was mildly bearish for Lean Hog futures. Pork inventory on June 30 was pegged at +18% over 2014 levels, largely due to the tight supplies that were in storage last year. However, it is obvious that some cuts are doing better than others, with Ham and Loin inventories up 47% and 36% from last year's levels, while Belly inventories are close to half of levels seen in June 2014. Producers should consider yesterday's rally in values as a good selling opportunity and look to cover up to half their Sep-Dec production at current prices.

Canadian delivered soymeal prices opened lower this morning. A favourable long term forecast, combined with heavy selling by South American suppliers has the soybean complex losing value this week. The South American crop is reported to be among the best in recent memory, adding supply to the world markets from origins with cheaper currencies. South America is so competitive that there is talk of US livestock operations bringing in supplies to meet demand on the East Coast.

US corn futures opened higher this morning. Excellent weather throughout most of the Corn growing regions for the critical pollination phase of the US crop is the primary factor driving prices down. The record large long fund position may add to the bearish trend, should the Hedge funds start selling their contracts to mitigate the downside risk.

US Slaughter	
421,000	Wednesday
396,000	Wednesday (year ago)
W. Corn Belt	\$76.18
National Price	\$78.99
Daily Sig 3	\$181.89
Daily Sig 4	\$182.63
Thunder Creek	\$181.75
4-Month Fwd.	\$ 144.30
B of C Ex. Rate (Noon)	
\$1.3026 CAD/ \$0.7677 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		160.62 172.71	148.11 154.66	136.94 148.74	128.00 133.96	133.36 137.53	133.36 146.56	150.14 153.13	148.40 153.18	156.17 163.17
Maple Leaf Sig. #4		165.81 174.28	151.04 162.12	142.77 152.69	133.76 139.76	138.15 141.84	138.15 147.94	151.65 154.89	152.39 155.17	158.41 164.03
Soymeal Winnipeg Delivered	549	549	534	516	514	514	512			
Corn	Local delivered price available on request									

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