



# Hog Margin Outlook

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Monday, July 27, 2015

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

**Forward contract prices opened lower this morning.** US cash markets are expected to start the week on a steady to slightly lower trend, with an abundant hog supply keeping a lid on a summer rally. Last week's slaughter came in at 2.107 million hogs, 25,000 more than last week and 6% larger than the same week in 2013. The June Hogs and Pigs report forecast market ready hog numbers to be only about 3% larger than 2013 levels at this time, with an additional drop of 3% into the fall timeframe. The fact that the hog slaughter has averaged about 6% larger than 2013 levels has some traders growing more cautious about the September timeframe. This is when improved growth rates will send the weekly slaughter to the largest levels the industry experienced in years. Producers without price protection in place for the fall months should consider covering up to 50% of their production at current prices, which would capture most of the gains experienced last week from firm Lean Hog futures and a weaker Canadian Dollar.

**Canadian delivered soymeal prices opened lower this morning.** The soybean complex is dealing with an abundance of bearish news from outside markets such as lower commodity and stock prices, and evidence of further weakness in China's economy. These factors only add to the bearish sentiment caused by ideal growing conditions which is leading analysts to suggest near record yields. Fund activity may also fuel a move to the downside, as the large speculators did not shrink the size of their net Long position as much as many had anticipated last week.

**US corn futures opened lower this morning.** Weekend rain over the parts of the US Cornbelt with good growing conditions triggered more selling this morning. Technical indicators have last week's sell-off in new crop Corn futures as a feature suggesting more downside to come. Offsetting the negative factors slightly is confirmation of increased cattle on feed and hog and poultry numbers that are running larger than anticipated.

US Slaughter	
2.107 mil.	Last Week
1.863 mil.	Last Week (year ago)
W. Corn Belt	\$75.34
National Price	\$78.60
Daily Sig 3	\$180.36
Daily Sig 4	\$182.22
Thunder Creek	\$180.36
4-Month Fwd.	\$ 137.40
<b>B of C Ex. Rate (Noon)</b>	
\$1.3060 CAD/ \$0.7657 USD	
<b>Cash Prices Week Ending July 25, 2015</b>	
Signature 3	179.72/81.52
Signature 4	183.02/83.02
h@ms Cash	178.22/80.84
Hylife	180.99/82.10
Thunder Creek	181.10/82.15
ISO Weans	\$18.39 US Avg.
Feeder Pigs	\$38.56 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		155.46	142.93 149.49	132.90 143.52	123.95 129.92	129.32 133.50	129.32 143.68	147.26 150.25	148.22 153.00	155.99 162.91
Maple Leaf Sig. #4		160.83	146.03 157.13	138.87 147.65	129.85 135.86	134.25 137.94	134.25 145.15	148.86 152.10	152.21 154.99	158.23 163.76
Soymeal Winnipeg Delivered	533	533	519	500	499	499	497			
Corn	Local delivered price available on request									

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HWY #6 AND RD 236

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