



# Hog Margin Outlook

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Tuesday, August 04, 2015

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

US Slaughter	
373,000	Monday
340,000	Monday (year ago)
W. Corn Belt	\$75.23
National Price	\$78.82
Daily Sig 3	\$179.91
Daily Sig 4	\$182.52
Thunder Creek	\$180.30
4-Month Fwd.	\$ 144.01
<b>B of C Ex. Rate (Noon)</b>	
\$1.3047 CAD/ \$0.7665 USD	
<b>Cash Prices Week Ending August 01, 2015</b>	
Signature 3	180.09/81.69
Signature 4	180.91/82.06
h@ms Cash	178.59/81.01
Hylife	179.19/81.28
Thunder Creek	179.70/81.51
ISO Weans	\$20.45 US Avg.
Feeder Pigs	\$39.95 US Avg.
#1 Export Sows (Tagged)	\$41.00 cwt. (+500lbs.)

**Forward contract prices opened higher this morning.** US cash markets started this week's trade by adding to their cash bids. Packer operating margins are profitable with recent moves in Hams, Bellies and Ribs that are contributing positively. Last week's slaughter was reported to be 2.137 million hogs, 5.5% larger than 2013 levels. The abundant supplies continue to limit gains in both the cash and futures. The USDA and most analysts did not anticipate such heavy supplies and it increasingly looks like hog numbers will outpace the USDA forecast for the next two months. This implies a weekly hog slaughter of 2.3 million hogs by mid-September and would make it difficult for the cash and forward prices to post gains from current levels. Lean Hog futures have benefitted from the recent gains in the pork cut-out, but will need to see evidence of improved export sales to sustain these gains. Sep-Oct Forward contract prices are trading at their highest level in the last 50 days, providing a good hedging opportunity for the early fall timeframe before these contracts expire in the middle of August.

**Canadian delivered soymeal prices opened mixed this morning.** US soybean futures are trading higher continuing the supportive trend from Monday, a 'regular' business day in the US. Technical indicators show the trade is falling to oversold levels so a bounce is not completely unexpected. Support also comes from weekly export inspections that have reached 98.3% of the USDA forecast compared to a 5-year average of 96.2%. However, fundamentally bearish news has been pressuring the trade especially as the weather for the soybean crop has been described as near perfect in the WCB, and as Argentina product enters world markets.

**US corn futures opened higher this morning.** There is talk that today's support could be a function of a price recovery even though the funds still maintain a large net long position. If the funds sell off, there could be more pressure on US corn. In the meantime, bearish forces include a relatively strong USD, the ongoing market reaction to Greece's instability and some less than stellar economic forecasts for China. Weekly crop inspections are expected to remain unchanged at 70% good/excellent from last week; the 10-year average is 59%.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		153.09 159.71	140.08 153.81	131.04 137.06	136.46 140.68	136.46 149.36	152.99 156.01	151.54 156.38	159.40 166.43	170.42 178.87
Maple Leaf Sig. #4		155.94 167.14	145.91 157.70	136.81 142.88	141.25 144.98	141.25 150.73	154.47 157.75	155.53 158.34	161.62 167.25	169.59 178.01
Soymeal Winnipeg Delivered	542	522	502	501	501	501				
Corn	Local delivered price available on request									

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WINNIPEG LIVESTOCK  
HWY #6 AND RD 236

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