



Hog Margin Outlook

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Wednesday, August 05, 2015

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

Forward contract prices opened mixed this morning. US cash markets struggle to make any positive gains, despite evidence in the wholesale pork market of strong demand for specific cuts. In fact, the pork cut-out rallied to its highest level so far this year, with pork bellies, hams and ribs providing most of the strength. Over the last month, most of the primal cuts have been able to post gains even with the market dealing with significantly more product than was anticipated at this time of year. However, supplies are expected to climb more than 10% over the next month, reflecting a normal seasonal trend in market hog numbers. If the industry is not able to secure better export sales volumes, the heavy supply will likely influence pork and hog prices lower, as reflected by the US\$14/cwt discount that the October Lean Hog futures are trading to the current cash market. Fall month forward contract prices are trading lower this morning, but are still within \$2.00/ckg of the highs put in so far this summer. Producers without price protection for the Sep-Dec period should look to cover up to 50% of their production at current prices.

Canadian delivered soymeal prices opened higher this morning. There is talk that the technically oversold position of US soybeans could trigger a recovery and beans are trading higher as of this writing. However, US weather maintains its bearish influence and could keep the upside in check. Growing conditions remain 'optimal' in the WCB and the latest USDA report shows that 63% are in good/excellent condition, 7.4% above the 10 year average. Conditions in the ECB are worse than in the WCB but significantly more soybeans are produced in the west, meaning regional ECB issues could be offset by WCB production.

US corn futures opened higher this morning. Crop conditions continue to vary widely depending on growing region but show 70% in good/excellent condition as a national average compared to 73% last year and a 59% 10-year average. As well, the latest USDA report shows 90% of the crop is in the silking stage, 1% above the 5-year average and a 12% jump over the previous week, although this is about normal for this time of year. As with soybeans, regional ECB/WCB dynamics are at play for the US corn crop but good conditions in the west could boost national production estimates.

US Slaughter	
424,000	Tuesday
404,000	Tuesday (year ago)
W. Corn Belt	\$75.92
National Price	\$78.90
Daily Sig 3	\$182.65
Daily Sig 4	\$183.82
Thunder Creek	\$182.62
4-Month Fwd.	\$ 144.63
B of C Ex. Rate (Noon)	
\$1.3125 CAD/ \$0.7619 USD	
Cash Prices Week Ending August 01, 2015	
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) \$45.00 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		153.55 160.18	140.82 154.29	131.76 137.80	137.20 141.42	137.20 149.29	152.92 155.95	150.19 155.03	158.05 164.55	168.24 176.67
Maple Leaf Sig. #4		156.40 167.61	146.65 158.18	137.53 143.61	141.98 145.72	141.98 150.66	154.41 157.69	154.23 157.04	160.32 165.41	167.46 175.86
Soymeal Winnipeg Delivered	550	532	514	514	514	512				
Corn	Local delivered price available on request									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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