



# Hog Margin Outlook

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Tuesday, August 18, 2015

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

US Slaughter	
428,000	Monday
408,000	Monday (year ago)
W. Corn Belt	\$76.79
National Price	\$78.86
Daily Sig 3	\$184.26
Daily Sig 4	\$183.25
Thunder Creek	\$183.92
4-Month Fwd.	\$ 140.43
<b>B of C Ex. Rate (Noon)</b>	
\$1.3091 CAD / \$0.7639 USD	
<b>Cash Prices Week Ending August 15, 2015</b>	
Signature 3	179.67/81.50
Signature 4	183.35/83.17
h@ms Cash	178.17/80.82
Hylife	181.68/82.41
Thunder Creek	182.30/82.69
ISO Weans	\$21.06 US Avg.
Feeder Pigs	\$32.54 US Avg.
#1 Export Sows (Tagged) \$53.50 cwt. (+500lbs.)	

**Forward contract prices opened mixed this morning.** US cash markets showed some weakness yesterday but are generally holding firm on profitable packer margins and general strength in the pork market. Bellies are exceptionally strong, accounting for approximately 30% of the cutout value. This is impressive considering that bellies make up only ~16% of the hog carcass by weight. This means that pound for pound, the belly primal is more valuable than loins which have typically been the most valuable cut. Lean hog futures opened the week stronger, supported by a firm cash market and strong demand particularly from large grocery chains ahead of the Labour Day long weekend. Historically, pork cut-out values relax heading into the fall as more supplies come to market. There are thoughts that the latter part of 2015 heading into 2016 will continue to be under pressure, a combination of the historical trend, meagre export demand and indications that pork volumes will be considerably high. Despite consecutive sessions of trading higher, there are still some that believe the October contract is too low. On the other hand, there are some who argue October is priced within reason considering the large supplies expected.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures remained supported heading into the release of Monday's Crop Progress report but have since turned lower in the early morning trade. The report, showed 63% of the crop to be in good/excellent condition, identical to last week (71% last year). These conditions were stronger than market expectations and considering the 10-year average is 58%, the market currently has a bearish tone. The weather and upcoming crop tours will be closely watched for interim direction heading into harvest.

**US corn futures opened lower this morning.** US corn futures are called steady to lower following Monday's Crop Progress report that showed a slight decline in crop conditions to 69% in good/excellent from 70% the previous week which, like soybeans, was slightly better than market expectations. Also like beans, corn is in better shape than the 10-year average of 59%. There is not much bullish news for corn as continued talk of record yields in the northern and western WCB region buoyed by thoughts of ideal conditions for late crop development and the filling stage.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		151.84 151.84	138.43 152.54	129.43 135.43	134.83 139.03	134.83 145.09	148.69 151.69	147.73 152.53	155.53 162.13	167.39 176.96	176.96
Maple Leaf Sig. #4		154.70 156.80	144.28 156.43	135.91 141.25	139.63 143.35	139.57 146.54	150.26 153.51	151.77 154.56	157.81 163.02	166.61 174.95	177.26
Soymeal Winnipeg Delivered	503	503	491	482	482	479	482				
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

