



Hog Margin Outlook

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Tuesday, August 25, 2015

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

US Slaughter	
433,000	Monday
413,000	Monday (year ago)
W. Corn Belt	\$74.81
National Price	\$78.92
Daily Sig 3	\$181.19
Daily Sig 4	\$185.10
Thunder Creek	\$180.90
4-Month Fwd.	\$ 141.41
B of C Ex. Rate (Noon) \$1.3213 CAD / \$0.7568 USD	
Cash Prices Week Ending August 22, 2015	
Signature 3	183.93/83.43
Signature 4	183.89/83.41
h@ms Cash	182.43/82.75
Hylife	182.42/82.75
Thunder Creek	181.10/82.15
ISO Weans	\$19.04 US Avg.
Feeder Pigs	\$35.58 US Avg.
#1 Export Sows (Tagged)	\$54.50 cwt. (+500lbs.)

Forward contract prices opened higher this morning. US cash markets found some footing with ISM and National reporting regions posting small losses relative to previous day while the WCB region came in higher by \$0.52 USD/cwt. Live weights remain steady relative to week ago while carcasses were down by about a pound. Slaughter numbers remain high and while weekly pork production for week ending August 22 climbed approximately 0.5% relative to the previous week, it was 7% higher compared to the same time last year. Packers margins remain profitable with almost all primal cuts gaining in value (again, led by bellies); only loins came in lower. The real story, however, came from the lean hog futures market yesterday that saw the October contract close limit up followed by double digit gains across all offered contracts. This move flies in the face of bearish fundamentals and talk of potentially excessive supplies. However, a weakening USD helped support notions of stronger export demand and there is talk that the spread between cash and October contract must narrow. Technically the October contract was in oversold territory, but the sentiment now appears to be one of optimism based on expected pork demand and the low USD; there is also talk some large commercial investors saw an opportunity to reposition amid the lows.

Canadian delivered soymeal prices opened higher this morning. Soybean crop conditions remained unchanged relative to last week while improvements between 1-2% were expected. A decent ~210,000 MT in export inspections is also supportive as is news from the Pro Farmer Crop Tour pegging average yields at 46.5 bpa compared to the USDA's 46.9 bpa. However, weakness in the trade can be largely traced to demand uncertainty as China's appetite for raw materials may soon prove to be lacklustre; the Chinese stock market fell 8.5% yesterday, the largest drop since 2007 suggesting further economic weakness and uncertainty.

US corn futures opened higher this morning. Unlike soybeans, US corn showed strength over the course of the session on supportive news that shook off looming poor global economic outlooks. The Pro Farmer Crop Tour has estimated average yields to be 164.3 bpa compared to the USDA's 168.8 bpa, and export inspections were near upper expectations showing 883,987 MT. As well, there is talk that some drier forecasts could diminish soil moisture while crop conditions remained unchanged at 69% in good excellent condition.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3			140.51 155.09	131.39 137.47	136.86 141.11	136.86 146.87	150.51 153.54	149.34 154.20	157.23 164.93	170.90 180.64	180.64
Maple Leaf Sig. #4			146.42 159.01	137.24 143.36	141.71 145.48	141.28 148.33	152.10 155.39	153.44 156.26	159.55 165.85	170.09 180.93	181.41
Soymeal Winnipeg Delivered	519	519	508	499	499	492	499				
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

