



# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 20, 2016

For details call: (204)235-2237 or visit

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

**Forward contract prices opened lower this morning.** US cash markets are expected to trade mixed with a bias toward lower in early trade this week as packer operating margins are estimated to be only marginally profitable given the stagnant wholesale pork prices. Pork production was pegged 1.7% larger than the same week in 2015, but the competitive landscape has changed significantly for pork even though prices are comparable to year ago levels. Beef production is running nearly 10% higher than it was 1 year ago, while chicken supplies continue to grow due to poor export sales. For all the talk of the opportunity to increase sales to China, pork exports have been mediocre in the last several months, with volumes unable to make any gains over year ago levels. Lean Hog futures moved sharply higher last week, after fund buying contributed positively to the summer and fall months. However, this week the market will be focused on market fundamentals with the release of the most recent Cold Storage report and the USDA's Hogs and Pigs report due out on Friday. Producers who have yet to take price protection on their remaining 2016 production should consider pricing up to half of their intended production at current prices to ensure profitable production margins.

**Canadian delivered soymeal prices opened lower this morning.** On Friday, the 10-day forecast suggested only limited rainfall was expected for critical growing areas, providing some support. Today's forecast shows that 1-2.5 inches of rain could fall within the next 7 days, alleviating some short-term moisture concerns for now. However, the lack of timely rain is an ongoing concern and there is talk that the good/excellent category in today's Crop Progress report could be lowered between 1% and 3%. For now, the market is trading lower with decent demand and general weather uncertainty keeping the downside in check. The Canadian spot market is under \$600 CAD/MT to start the week, aided by a strengthening Canadian dollar.

**US corn futures opened lower this morning.** Like beans, a forecast showing 1-2.5 inches of rain is pressuring the trade as topsoil moisture levels are being closely watched ahead of the critical pollination stage. As well, the recent heat over the weekend and higher temperatures expected to start near the end of this week has some suggesting that as much as 25% of the US corn crop could be under some heat stress. Also like beans, today's Crop Conditions report is expected to show the good/excellent condition of the crop to be downgraded between 1% and 3%. Harvest and production news from other major corn growing regions has not had much of an impact on the US trade due to a current focus on domestic weather.

US Slaughter	
2.160 mil.	Last Week
2.132 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$80.61
National	\$82.40
Iowa/S. MN.	\$80.70
Signature 3	\$190.28
HyLife	\$189.11
TCP/Britco	\$190.07
Sig 3 4-Month Fwd.	\$ 171.00
<b>BoC Rate (Noon) prev. day</b> \$1.2878 CAD / \$0.7765 USD	
Cash Prices Week Ending June 18, 2016	
Signature 3	188.04/85.29
h@ms Cash	186.54/84.61
HyLife	184.55/83.71
TCP/Britco	182.90/82.96
ISO Weans	\$22.58 US Avg.
Feeder Pigs	\$51.76 US Avg.
#1 Export Sows (+500lbs.) \$46.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		188.73 192.83	181.63 198.62	164.94 173.73	164.19 165.36	135.32 151.12	137.08 142.93	137.95 146.14	148.48 149.65	149.23 149.23	149.82 159.15
Soymeal Wpg Delivered	597	583	582	581	581	580	580				
Corn	Local delivered price available on request										

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