

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, June 27, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened mixed this morning. US cash markets are called lower to start this week, pressured by tight packer operating margins and supplies that are currently relatively easy to come by. The cash market is also likely to see influence from Friday's USDA Hogs and Pigs report which is dominating Lean Hog futures this morning. The results of the various weight categories on the report, reflect a growth trend over the next 4 months with hog slaughter projected to be up 2.5% over year ago levels for the Sep – Oct timeframe. When combined with other factors such as increased Canadian feeder pig imports and PEDv losses that are at the lowest levels they have been in 3 years, it is reasonable to expect some weeks to approach 2.5 million hogs in the months of November and December. The price implication of a hog supply this large would likely result in a 6-8% drop in price from year ago levels. Lean Hog futures are down sharply this morning reflecting the bearish results, but forward contract prices still represent fair value given the updated projections on supply.

Analysts' Expectations vs. June Quarterly Hogs and Pigs Report			
	Range % of 2015	Avg. In % of 2015	June in % of 2015
All hogs	100.1-101.0	100.6	102
Breeding	99.7-101.3	100.4	101
Marketing	100.1-101.0	100.6	102
>180 lbs.	100.3-101.5	100.9	101
120-179 lbs.	99.0-100.9	100.1	101
50-119 lbs.	99.5-101.3	100.5	102
<50 lbs.	100.5-101.0	100.8	102

Source: USDA; citing Urner Barry in DLR

Canadian delivered soymeal prices opened higher this morning. Decent demand, modest rainfall, and expectations that crop conditions will be downgraded in this afternoon's Crop Progress report are all supportive for the US soybean trade this morning. Turmoil in the global markets has also been a factor providing some support to agricultural commodities as the fallout continues from the 'Brexit' referendum on Thursday evening. Most futures contracts are approximately 2.2% higher, posting double digit gains since the last session. The combination of a renewed weather premium and global market uncertainty is likely to influence some volatility in the short-to-mid term.

US corn futures opened higher this morning. Like US soybean futures, US corn futures are trading higher this morning. While the move appears to be a bit of a contrast given last week's fundamental outlook, the forecast models for rain have changed somewhat (less rain is now expected), exacerbated by some uncertainty in the global marketplace. However, today's strength has not been enough to erase the losses from the previous session. US corn futures out to December are still below the benchmark \$4.00 USD/bu. that was breached last week..

US Slaughter	
2.103 mil.	Last Week
2.141 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$81.89
National	\$84.11
Iowa/S. MN.	\$82.03
Signature 3	\$194.42
HyLife	\$188.77
TCP/Britco	\$194.31
Sig 3 4-Month Fwd.	\$ 160.20
BoC Rate (Noon) prev. day \$1.2952 CAD / \$0.7721 USD	
Cash Prices Week Ending June 25, 2016	
Signature 3	191.85/87.02
h@ms Cash	190.35/86.34
HyLife	188.16/85.35
TCP/Britco	189.40/85.91
ISO Weans	\$20.27 US Avg.
Feeder Pigs	\$46.53 US Avg.
#1 Export Sows (+500lbs.) \$42.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3			174.18 191.56	160.57 169.56	159.93 161.13	131.49 147.66	133.29 139.28	135.08 143.47	145.87 147.06	147.66 147.66	148.26 158.36
Soymeal Wpg Delivered	582	568	570	570	566	566	566				
Corn	Local delivered price available on request										

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance and all pricing is subject to verification. Any unauthorized distribution is strictly prohibited.



Hams Marketing Services will be closed Friday, July 1 for Canada Day.
Risk Management will be closed Monday, July 4 for Independence Day.
The HMO and Opening Price reports will not be published on both days.
The main office is open on Monday, July 4. Normal business resumes on Tuesday, July 5.

