

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, July 06, 2016

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

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

US Slaughter	
433,000	Tuesday
423,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$79.31
National	\$83.37
Iowa/S. MN.	\$79.46
Signature 3	\$188.25
HyLife	\$188.46
TCP/Britco	\$188.18
Sig 3 4-Month Fwd.	\$ 160.20
<b>BoC Rate (Noon) prev. day</b> \$1.2949 CAD / \$0.7723 USD	
Cash Prices Week Ending July 02, 2016	
Signature 3	192.06/87.12
h@ms Cash	190.56/86.44
HyLife	194.11/88.05
TCP/Britco	192.60/87.36
ISO Weans	\$21.65 US Avg.
Feeder Pigs	\$43.03 US Avg.
#1 Export Sows (+500lbs.) \$41.50/cwt. (Tagged)	

**Forward contract prices opened mixed this morning.** US cash markets were mixed as ISM and WCB regions posted gains of \$0.83 and \$0.73 USD/cwt respectively, while the National reporting region came in lower by \$0.60 USD/cwt from the previous day. There is talk the mixed nature of the cash markets are reflecting some uncertain demand conditions despite profitable packer operations. However, there is an expected tightness in hog supplies that could provide the cash market with some underlying support in the short term. Further out, lean hog futures are trading lower which is almost certainly a function of uncertain demand further out exacerbated by a relatively high US dollar that is dampening US competitiveness in the global market. Add to this the general consensus of looming large supplies and there is very little technically or fundamentally bullish for the US hog futures market at this time. Despite these developments, however, Canadian forward contracts represent fair value for the most part, aided by a Canadian dollar that is weakening against its US counterpart.

**Canadian delivered soymeal prices opened lower this morning.** Pressure on the soybean futures trade continues for the second session this week based on a variety of technical and fundamental factors. While crop conditions came in at 70% good/excellent condition (slightly lower than last week's 72% rating), they are still above last year's numbers and the 10-year average (both at 63%). This had led to increasing yield prospects (for now) that when combined with a general risk-off commodity sentiment, a recently overbought condition and the high US dollar, adds up to a significant amount of pressure for the trade. There is talk Chinese demand will be stronger further out, but those buyers have yet to enter the market with strength.

**US corn futures opened lower this morning.** Like soybeans, the decent US weather and a crop in 75% good/excellent condition is weighing on the trade (the 10-year average is 67%). Rain across much of the Corn Belt has provided an extra moisture cushion against the expected heat, but the heat so far has been less threatening than at first thought, even one week ago. The high US dollar is not helping US competitiveness and cumulative export inspections for the 2015/16 crop are 'only' at 75.6% compared to an 81.3% 5-year average. There is not much bullish news for US corn currently, but a quick change in the weather (with a long time before harvest) could once again turn things around.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		170.01 187.33	161.36 170.32	160.74 161.93	133.43 149.56	135.22 141.19	137.38 145.74	148.13 149.32	151.66 151.66	152.26 163.02
Soymeal Wpg Delivered	546	543	540	537	537	537				
Corn	Local delivered price available on request									

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STRENGTH IN NUMBERS

