

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, July 11, 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 expected to trade steady to lower to start this week, as packers have an abundant hog supply available to them after last week's slaughter came in at only 1.826 million hogs. Last Monday saw all US packers shut down for Independence Day celebrations, but most plants chose not to make up those reductions on Saturday, with that day's total for the US estimated at 100,000 hogs. Cash prices dropped \$2.00/cwt last week as a result of the lower production levels, and left estimated packer operating margins the most profitable that they have been in months due to relatively stable wholesale pork prices. However, Lean hog futures have moved sharply lower, dropping nearly 8-13% of their value over the last 3 weeks as traders have factored in most realistic ideas of pork production for the fall and winter months which are anticipated to be record large. When one considers that last year's US cash prices for November - February was still lower than what futures are offering for the same timeframe this year, current prices reflect good value when production is anticipated to increase by more than 2.5%.

Canadian delivered soymeal prices opened higher this morning.

The whole Soybean complex moved higher this morning, driven by a change in the forecast from last week, which suggests hotter, drier conditions for the latter half of July in most of the Midwest. However, the long term forecasting models have not been accurate for the last month which suggests still more weather related volatility to come. Tomorrow, the USDA releases its latest Supply/Demand report, with most analysts suggesting that 2015/16 Ending stocks will shrink slightly from previous estimates and that increased exports will prevent a growing supply over the next year.

US corn futures opened higher this morning. Corn futures started this week with higher bids, but prices quick eroded with no appetite by the large speculators to buy when short term weather and crop conditions remain favourable for a large crop. With prices stumbling along multi-year lows, the market could experience improved export volumes as the low prices act as an incentive for more livestock feeding abroad.

US Slaughter	
1.826 mil.	Last Week
2.074 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$76.73
National	\$82.48
Iowa/S. MN.	\$76.90
Signature 3	\$183.87
HyLife	\$188.47
TCP/Britco	\$183.86
Sig 3 4-Month Fwd.	\$153.51
BoC Rate (Noon) prev. day \$1.3073 CAD / \$0.7649 USD	
Cash Prices Week Ending July 09, 2016	
Signature 3	186.37/84.54
h@ms Cash	184.87/83.86
HyLife	190.15/86.25
TCP/Britco	190.90/86.59
ISO Weans	\$ 21.67 US Avg.
Feeder Pigs	\$ 40.68 US Avg.
#1 Export Sows (+500lbs.) \$41.50/cwt. (Tagged)	

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		162.55 177.59	156.12 165.15	155.46 156.66	129.96 146.20	131.77 137.78	134.67 143.09	145.50 146.70	150.87 150.87	151.47 161.69
Soymeal Wpg Delivered	557	554	554	551	549	549				
Corn	Local delivered price available on request									

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