



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, July 20, 2016

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

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

Forward contract prices opened higher this morning. US packers are unwilling to break from their current trend of steady to lower cash bids, despite the best summertime gross operating margins experienced in years. Yesterday's large daily slaughter of 430,000 hogs helped to compensate for the relatively small slaughter on Monday, but packers remain hesitant to add hours to their production schedule. Typically, packers earning more than \$35/hog, would lead to a more competitive, bullish cash market. However, they may be concerned about holding excess inventory when wholesale pork prices start their seasonal decline in about 1 month. Fall month Lean Hog futures suggest a constant erosion in prices over the next 3 months of approximately 20% of the current cash market value, which limits forward contracting opportunities for the August – October timeframe. However, producers should look to secure prices on up to half of their production in the November – February timeframe as cash prices could be pressured to less than \$115/ckg in some weeks due to burdensome hog supplies.

Canadian delivered soymeal prices opened lower this morning. The soybean complex continues its lower trend with favorable weather being the dominant factor considered by traders. Both soybeans and meal are trading at their lowest level since May as good crop progress suggests better than trend line yields. However, there is still significant uncertainty with this year's crop and the relatively high crop rating does little to production. In 2003 for example, the crop condition was rated similar to the current 71% Good to Excellent, but by harvest time conditions deteriorated so that the yield was 20% below early expectations.

US corn futures opened higher this morning. Corn futures have developed a floor at current levels, with new crop futures trading at contract lows of \$3.50/bushel. Above average crop conditions combined with a favorable forecast has the market unable to make any gains. However, if the heat wave persists into early August, yield potential will deteriorate during the critical pollination phase of production.

US Slaughter	
430,000	Tuesday
421,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$72.22
National	\$79.42
Iowa/S. MN.	\$72.35
Signature 3	\$172.48
HyLife	\$181.48
TCP/Britco	\$172.40
Sig 3 4-Month Fwd.	\$ 145.14
BoC Rate (Noon) prev. day \$1.3029 CAD / \$0.7675 USD	
Cash Prices Week Ending July 16, 2016	
Signature 3	180.92/82.06
h@ms Cash	179.42/81.38
HyLife	187.48/85.04
TCP/Britco	185.40/84.10
ISO Weans	\$ 23.20 US Avg.
Feeder Pigs	\$ 36.44 US Avg.
#1 Export Sows (+500lbs.) \$35.10/cwt. (Tagged)	

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		158.09 173.06	146.43 155.41	145.83 147.03	121.63 137.80	123.43 129.42	129.38 137.77	140.16 141.36	145.79 145.79	146.39 157.05	160.99
Soymeal Wpg Delivered	528	528	529	526	525	525					
Corn	Local delivered price available on request										

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