



Hog Margin Outlook

Meeting Your Marketing Needs

Monday, July 25, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened higher this morning. US cash markets are expected to start this week steady to lower, following the same trend from last week. Friday's packer bids broke through the US\$70/cwt benchmark, resulting in the lowest 'summertime' prices seen in more than 5 years. While last week's slaughter of 2.14 million hogs was about 2% larger than the same week in 2015, packers are holding back from adding hours to their production schedule, concerned that added inventory will be difficult to move especially as we close in on the typically weak fall market. Friday's Cold Storage report showed an 8% decline in pork inventory as of June 30, 2016 compared to year ago levels. A draw down in Hams, Picnics and trimmings offset an increase in the higher valued cuts of Ribs, Loins and Bellies. Lean Hog futures will likely respond to the report this morning as neutral despite some analysts expecting a larger decline in inventory. New contract lows on Friday were rejected for now, with some traders buying in at these new lows citing support from technical indicators. However, positive fundamental news for the winter timeframe remains scarce and with 4 months left before the largest hog supply, current forward contract prices still have fair value given the uncertainty.

Canadian delivered soymeal prices opened higher this morning. The soybean complex came under selling pressure in the Overnight trading session maintaining prices of less than \$10/bushel for new crop soybeans, the lowest price since mid-April. With no consensus in the long term weather forecast, the market is factoring in a more modest weather premium than is typical for this time of year. If the crop condition stays on its current trajectory with 71% of the crop rated as Good to Excellent, soybean yields are expected to come in well above trend line and result in an all-time record large crop.

US corn futures opened lower this morning. US corn futures are expected to trade steady to lower this morning, with the overnight trend showing no change in direction from last week. The forecast for most of the Midwest is for severe storms over the next couple of days, with the cooler temperatures associated with the storms to be beneficial to the pollination phase. Recent reports of export sales have been underperforming expectations, adding to the bearish tone.

US Slaughter	
2.141 mil.	Last Week
2.094 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$69.95
National	\$77.51
Iowa/S. MN.	\$70.03
Signature 3	\$168.97
HyLife	\$178.12
TCP/Britco	\$168.80
Sig 3 4-Month Fwd.	\$ 138.04
BoC Rate (Noon) prev. day \$1.3178 CAD / \$0.7588 USD	
Cash Prices Week Ending July 23, 2016	
Signature 3	171.68/77.87
h@ms Cash	170.18/77.19
HyLife	180.62/81.93
TCP/Britco	178.60/81.01
ISO Weans	\$ 21.62 US Avg.
Feeder Pigs	\$ 33.57 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			145.57 154.66	144.91 146.12	121.72 138.07	123.53 129.59	128.65 137.09	139.51 140.71	144.09 144.09	144.69 155.76	159.66 170.49
Soymeal Wpg Delivered	505	505	507	502	500	500					
Corn	Local delivered price available on request										

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