



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, August 02, 2016

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

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

Forward contract prices opened mixed this morning. US cash markets started the week slightly lower with some packers taking a 'floating' holiday, cutting the US daily slaughter to about 360,000 hogs. Wholesale pork prices appear to have stabilized from last week's collapse where the pork cut-out lost nearly 10% of its value and registering losses in almost all of the primal cuts. Packers are still in a profitable position which should help to support cash bids over the next few weeks, especially as the pork complex is likely to see positive influence from firm beef values seen recently. However, Lean Hog futures continue to factor in a steep seasonal decline; the October and December contracts are trading at an \$11 and \$15/cwt discount from the current cash market. The lack of evidence supporting new growth in export sales and the prospect of 10% more hogs over the next two months continues to leave traders with a pessimistic view. Producers who have yet to cover their winter production should still consider adding protection at current price levels. The market recovered some value from last week's losses and current forward prices are still better than the cash prices experienced in December 2015 despite the expectation for 3% more pork this year.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading in a mixed and choppy pattern, somewhat reversing the pressure seen in Monday's trade when markets were open in the US. There is talk that demand for US beans is strong, but forecast rain over much of the Midwest has meant that, for now, crop conditions and yield prospects continue to look promising adding pressure. If there is no immediate threat to the crop due to heat (or some other event), traders are preparing for a potential long-liquidation that could push through support levels that are currently hovering around \$9.80 USD/bu. for the nearby contract. 72% of the crop is in good/excellent condition compared to 71% last week and 63% last year.

US corn futures opened mixed this morning. Like the US soybean futures trade, US corn futures are also trading mixed. While heat is expected in critical growing regions, new models are showing that rain will also develop in the Corn Belt around the same time, potentially buffering heat related damage and aiding in crop development. Yesterday's USDA Crop Progress report showed 76% of the crop to be in good/excellent condition (the same as last week) compared to a 10-year average of 61%. Poor weather in the Ukraine and slow Brazilian exports could keep the downside in check further out if end users turn to US variants.

US Slaughter	
361,000	Monday
371,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$66.79
National	\$73.96
Iowa/S. MN.	\$67.09
Signature 3	\$159.66
HyLife	\$171.42
TCP/Britco	\$160.01
Sig 3 4-Month Fwd.	\$129.25
BoC Rate (Noon) prev. day \$1.3041 CAD / \$0.7668 USD	
Cash Prices Week Ending July 30, 2016	
Signature 3	165.94/75.27
h@ms Cash	164.44/74.59
HyLife	176.84/80.21
TCP/Britco	170.70/77.43
ISO Weans	\$17.67 US Avg.
Feeder Pigs	\$33.22 US Avg.
#1 Export Sows (+500lbs.) \$38.50/cwt. (Tagged)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		136.42 145.38	135.79 136.98	115.00 131.13	116.79 122.77	121.72 130.07	132.46 133.65	137.83 137.83	138.42 150.48	157.32 168.11
Soymeal Wpg Delivered	483	485	484	482	482	478				
Corn	Local delivered price available on request									

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HWY #6 AND RD 236

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