



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 03, 2016

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

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

US Slaughter	
433,000	Tuesday
425,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$66.30
National	\$72.87
Iowa/S. MN.	\$66.71
Signature 3	\$159.07
HyLife	\$167.25
TCP/Britco	\$159.69
Sig 3 4-Month Fwd.	\$128.74
BoC Rate (Noon) prev. day \$1.3089 CAD / \$0.7640 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.) \$41.25/cwt. (Tagged)	

Forward contract prices opened mixed this morning. US cash markets are still under pressure as hog numbers are trending well above year ago levels while the wholesale market is struggling to hold its value. The pork carcass cut-out is down about 10% from week ago levels with hams, bellies and loins all experiencing weakness. The market is feeling the effects of abundant supplies of beef, chicken and pork available to the domestic market by virtue of growing numbers this year. While export volumes have improved over year ago levels, they have not gained enough to offset the increase in production. Lean hog futures traders have already factored in a requirement to lower prices in order to clear the market of heavy supplies that are anticipated in the coming months. The October and December contracts fell more than 15% over the month of July reflecting this increasing likelihood of a burdensome supply through the 4th Quarter. If exports start to trend closer to year ago levels, the market would likely drop even further, with the December – February timeframe likely exposed to an additional drop of 10%.

Canadian delivered soymeal prices opened higher this morning. There was earlier talk that a recovery bounce could materialize in the soybean futures trade (after coming under recent pressure) if the funds wrapped up exiting/liquidating their long positions and if there were thoughts the USDA was unlikely to raise yield estimates in the August WASDE report next week. Both factors have appeared to develop this morning as soybean futures have turned around and are posting gains across all contracts. Aiding the rationale for the turn-around are technical indicators showing the trade is/was currently in an oversold condition. Supply outlooks remain good for now despite weather uncertainty that looms at this time of year.

US corn futures opened mixed this morning. US corn futures continue to be choppy despite some news that China is poised to ban US DDG imports and some news from a crop tour in Illinois indicating yield estimates could come under pressure. A late session bounce off contract lows yesterday was attributed to the crop tour news showing yields in observed areas were lower than three year averages in four counties (192.3 bpa current vs. 209.2 bpa 3-yr average). Prolonged heat exposure was cited, highlighting the importance of cooler temperatures for positive crop development. Despite challenges in S. America, the Brazilian yield estimate has been raised to 175 bpa compared to the USDA's 168 bpa estimate.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		136.42 144.84	134.90 136.10	114.68 130.87	116.48 122.47	122.54 130.96	133.37 134.57	139.31 139.31	139.91 150.71	157.05 167.84
Soymeal Wpg Delivered	485	487	487	484	484	481				
Corn	Local delivered price available on request									

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