



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 04, 2016

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

www.hamsmarketing.ca

Hog Prices: ↓ Soymeal: ↓

Corn: ↓ CDN Dollar: ↑

Forward contract prices opened lower this morning. US cash markets continued their lower trend this week and all regions are reporting declines with varied magnitude. Hog prices have dropped to their lowest level since mid-April, a trend that is uncommon at this time of year (due to hog supplies being the tightest for the year) while at the same time, hot temperatures are negatively impacting weights. Packers are estimated to be profitable as they have been disciplined in their buying program by consistently lowering their cash bids to stay ahead of declines in the pork cut-out. The prospect of a more competitive cash market resulting from the expectation of two new slaughter plants starting up next year may have packers attempting to build a war chest in advance of what is expected to be 'leaner' profits next year. After a marginal recovery in prices earlier this week, fall and winter month contracts have come under pressure with the ongoing cash market weakness. In addition, the latest trade data into several Asian countries suggests that European suppliers are growing their market share, possibly at the expense of the US which has struggled to keep up with high expectations.

Canadian delivered soymeal prices opened lower this morning. Long liquidations, a recently technical oversold position, and some news suggesting exports are robust has provided support to the soybean complex. In the past six days, cumulative sales of US soybeans have eclipsed 2 MMT (or about 4% of the annual total), a massive amount. However, the support may not endure; there is talk that China will once again auction off some state reserves and at least two major grain companies are less optimistic about sustained demand for US soybeans generally. However, ongoing quality and supply concerns from S. America may provide incentive for end users to keep buying from the US.

US corn futures opened lower this morning. US corn futures continue to come under pressure as production estimates remain optimistic and export demand proves not to be as robust as it has been in the bean trade. While there has been some concern that heat stress could limit maximum yield potential, some private yield estimates still remain relatively high ahead of next week's WASDE report and some are coming in as high as 171.4 bpa. There is talk next week's WASDE report could come in between 170 and 171 bpa but it is important to remember the trend line is around 168 bpa and a 171 bpa yield has never been seen in the August estimate. Highest final yield ever was in 2014 (170.9bpa); last year was 168.4 bpa.

US Slaughter	
434,000	Wednesday
425,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$65.42
National	\$72.22
Iowa/S. MN.	\$65.45
Signature 3	\$156.85
HyLife	\$166.37
TCP/Britco	\$156.57
Sig 3 4-Month Fwd.	\$124.99
BoC Rate (Noon) prev. day \$1.3080 CAD / \$0.7645 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)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		131.61 140.57	130.96 132.15	111.30 127.42	113.09 119.06	119.49 127.85	130.24 131.44	136.26 136.26	136.86 148.55	155.38 166.15
Soymeal Wpg Delivered	485	484	480	478	478	472				
Corn	Local delivered price available on request									

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