



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 05, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
424,000	Thursday
425,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$64.61
National	\$71.64
Iowa/S. MN.	\$64.67
Signature 3	\$154.26
HyLife	\$164.92
TCP/Britco	\$154.10
Sig 3 4-Month Fwd.	\$126.24
BoC Rate (Noon) prev. day \$1.3025 CAD / \$0.7678 USD	
Cash Prices Week Ending August 6, 2016	
Signature 3	157.87/71.61
h@ms Cash	156.37/70.93
HyLife	n/a
TCP/Britco	164.00/74.39
ISO Weans	\$17.67 US Avg.
Feeder Pigs	\$33.22 US Avg.
#1 Export Sows (+500lbs.) \$41.25/cwt. (Tagged)	

Forward contract prices opened higher this morning. US cash markets dropped \$0.80/cwt in trade yesterday as packers continue to pare back cash bids in an effort to maintain positive operating margins. Breaking with the recent trend was the pork carcass cut-out which gained nearly \$1.00/cwt yesterday, largely due to a modest recovery in the loin and pork belly primal cut values. Hams and bellies have experienced the largest drop, losing more than 25% of their value over the last 3 weeks. Trade participants are seeing ampler supplies than were anticipated while pork exports are not meeting expectations for significant growth over year ago levels. In addition, chicken and beef production are up 3% and 4% respectively from year ago levels, adding to an abundant domestic meat supply. The sharp decline in prices recently may help to spur some new consumption and provide a little support to help carry us through the month of August, but longer term, the bearish factors are only likely to grow. Producers comfortable with their protection levels in 2016 should consider adding protection in the Jan-Mar 2017 timeframe with today's one cent decline in the Canadian Dollar providing a good pricing opportunity.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher ahead of next week's WASDE report and on thoughts that the market has found a short term bottom for now. While an increase in yield is expected in next week's report, there are rumors the USDA is only going to increase it from July's number by about 1 bpa suggesting that 47.5 bpa would be the new August estimate. This is a bit shy of the 48-50 bpa being talked about in other private circles and would be considered slightly bullish especially if exports increase and push ending stocks lower. There is one private firm suggesting carryout could fall to 283 million bu. from the current 290 million if yield is 47.5 bpa and crush and exports increase by a realistic 70 million bu. combined.

US corn futures opened mixed this morning. Unlike beans, US corn futures have yet to find support, but there are thoughts that only a high yield estimate in next week's WASDE report (i.e. 171 bpa or higher) can push the trade substantially lower. For now, US corn remains in an oversold condition suggesting that a mildly bullish surprise from either the supply or demand front could influence some short-term support, or at least, help establish a bottom. Nevertheless, there have not been any substantial weather events (despite some talk of heat stress during pollination that may have limited an upper yield potential,) and the market is expected to trade amid the lows until the WASDE report is released next Friday.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		133.39 142.45	132.72 133.92	111.95 128.25	113.76 119.79	119.78 128.22	130.63 131.83	137.69 137.69	138.29 149.58	156.73 167.57
Soymeal Wpg Delivered	497	497	494	491	491	485				
Corn	Local delivered price available on request									

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