



# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, August 08, 2016

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

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

US Slaughter	
2.193 mil.	Last Week
2.124 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$63.47
National	\$71.16
Iowa/S. MN.	\$63.59
Signature 3	\$153.34
HyLife	\$163.13
TCP/Britco	\$153.30
Sig 3 4-Month Fwd.	\$127.83
<b>BoC Rate (Noon) prev. day</b> \$1.3180 CAD / \$0.7587 USD	
Cash Prices Week Ending August 6, 2016	
Signature 3	157.87/71.61
h@ms Cash	156.37/70.93
HyLife	165.92/75.26
TCP/Britco	164.00/74.39
ISO Weans	\$18.56 US Avg.
Feeder Pigs	\$32.80 US Avg.
#1 Export Sows (+500lbs.) \$41.25/cwt. (Tagged)	

**Forward contract prices opened higher this morning.** US cash markets are called to open this week lower after bids dropped another 4% in last week's trade. With the total US weekly slaughter estimated at nearly 2.2 million hogs, the supply is abundant and has averaged close to a 3% increase over recent weeks, higher than expectations. The heavy supplies appear to have impacted the market for pork bellies and hams the most with last week's prices dropping 15% and 7% respectively. While an increase in production was anticipated, so too was the expectation for export sales which have failed to see an increase required to clear the excess supply. On Friday, the USDA released its export sales data which showed only a 4.5% increase in pork sales abroad for the month of June. While exports to China were double what they were last year, gains did not meet the high expectations of most analysts. In order to clear the market of the increased supply through export channels, total pork exports would have needed to grow by +12% over year ago levels. Forward contract prices currently represent fair value for the fall and winter months given the expectation for record large pork production in the 4<sup>th</sup> Quarter of 2016 and the underperforming export markets.

**Canadian delivered soymeal prices opened lower this morning.** Strong ongoing demand evinced by daily sales over the past 8 days (including a large sale to China for 498,000 bu one day last week) has sustained support in the bean trade. Support also follows some weather uncertainty as temperatures in some critical growing areas are expected to remain high for the next 6-10 days. However, rainfall around the same time is expected to protect against widespread yield damage. In fact, one private estimate ahead of Friday's WASDE report is coming in at 47.7 bpa, pushing production up 78 million bu. compared to current USDA estimates. Expectations are for a USDA estimate to be around 47.5 bpa in Friday's report.

**US corn futures opened lower this morning.** US corn futures are stabilizing albeit amid contract lows. Crop conditions are expected to remain high in today's report and there is talk China will offer another 7.9 MMT from state reserves this week keeping the pressure on. Recall that China has already sold approximately 12 MMT from state reserves so far this marketing season. US corn futures are technically in an oversold position suggesting that even a slight decrease in supply or increase in demand estimates may provide rationale for some recovery. Currently, the market has priced in between 169 and 172 bpa ahead of the WASDE report; 170.9 bpa in actual yield is the highest on record.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		136.49 137.09	135.63 136.84	114.64 130.89	116.45 122.47	122.94 131.37	133.78 134.99	140.82 140.82	141.42 152.76	160.30 171.13	167.52
Soymeal Wpg Delivered	491	491	487	485	485	480					
Corn	Local delivered price available on request										

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WINNIPEG LIVESTOCK  
HWY #6 AND RD 236

LIGHT HOG PROGRAM!

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