



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, August 09, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
434,000	Monday
424,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$62.96
National	\$70.52
Iowa/S. MN.	\$62.98
Signature 3	\$151.92
HyLife	\$163.58
TCP/Britco	\$151.63
Sig 3 4-Month Fwd.	\$124.97
BoC Rate (Noon) prev. day \$1.3164 CAD / \$0.7596 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.)	\$47.00/cwt. (Tagged)

Forward contract prices opened lower this morning. US cash markets moved lower yesterday as packers stick with a modest buying strategy, buying only what they need to fill orders and not build inventory in a lower trending market. Packers may be attempting to build a war chest ahead of the introduction of two new plants coming on stream in 2017. Gross margins are estimated at close to \$30/pig, as packers have dropped their bids by nearly \$20/cwt over the last month while the pork carcass cut-out fell by only half that amount. To be clear, packers are adding hours to their production schedules, as recent weeks have seen the total US weekly slaughter exceed year ago levels by about 3%. Lean hog futures are priced similar to the historical trend against the cash market, but the cash price is weaker than normal for this time of year. When combined with the exchange rate, forward prices in the Nov - Feb timeframe are trading at similar levels to where the cash market was last winter. This suggests that there is still a pricing opportunity for producers who have not fully covered their winter production.

Canadian delivered soymeal prices opened higher this morning. There is talk that Friday's WASDE report will have to show that yields are higher than trend line in order to balance the strong demand for US beans. 'Trend line', however, likely infers to the 46.7 yield projection from the USDA that uses a different modelling period than academic trend line analysis, and incorporates other elements in its calculations. As well, the academic trend line most often cited was calculated earlier and is a bit on the low side considering recent growing conditions, coming in at 45.2 bpa for 2016 (Irwin and Good). Private pre-WASDE report estimates are coming in between 46.6 and 48.8 bpa. Crop conditions were unchanged from the previous week at 72% good/excellent.

US corn futures opened lower this morning. A bit of a surprise developed yesterday, following the release of the Crop Progress report showing an unexpected decline in crop conditions to 74% in good/excellent condition from 76% compared to the previous week. Last year's conditions were 70% good/excellent at the same time. Despite this, pressure returned to the trade on expectations that the USDA will revise upward its supply estimates in Friday's monthly WASDE report. Preliminary estimates for yield currently range between 167 and 175 bpa, potentially pushing production numbers up 232 million bu. from the July estimates.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		133.16 133.76	132.44 133.64	112.14 128.35	113.94 119.94	120.23 128.63	131.03 132.23	138.64 138.64	139.24 151.24	158.59 169.43	165.82
Soymeal Wpg Delivered	493	4493	489	488	488	483					
Corn	Local delivered price available on request										

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