



# Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, September 02, 2015

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

**Forward contract prices opened higher this morning.** US cash markets were lower in trade yesterday as producers looked to clear out some extra hogs ahead of the long weekend, to avoid further weakness in the cash market. With yesterday's hog slaughter estimated at nearly 430,000 hogs, packers are maximizing their production schedules and capitalizing on excellent operating margins. Yesterday, with the weaker cash bids and improved pork cut-out, packers were estimated to be earning over \$31/hog, among the highest margins seen so far this year. The USDA is starting its Quarterly survey of US hog producers to report at the end of this month, with hog numbers still trending 2-3% above the June report estimates. The abundant supply is manageable for packers, but if export sales growth remains stagnant, the futures values will likely build in a larger discount from the cash market, anticipating cash market weakness into October and November. Producers should look to cover some of their winter and spring production risk by setting targets on 20% of their production on rallies \$8 - \$10/ckg over current forward prices.

**Canadian delivered soymeal prices opened higher this morning.** US soybeans are trading higher following some sustained pressure that began mid-August. Analysts note that beans are trading at or near technical support levels and there is talk of an eminent bounce on fundamental and technical indicators. Drier conditions approaching harvest has led to further talk of some crop stress and is supportive, especially as private yield estimates start to trickle out; the most recent one pegs the US soybean crop at 45.4 bpa compared to the USDA's 46.9 bpa. The next USDA yield estimates will be released in the next WASDE report on September 11.

**US corn futures opened lower this morning.** Pressure is sustained on the corn trade this morning largely on worries that Chinese demand will slow substantially and that the Chinese government will soon discontinue or significantly cut its corn subsidy program. There is also talk that feed grains in the country are ample. September's WASDE report could provide some underlying support as yield estimates are expected to be revised lower; however, the general consensus is that the market has already 'priced in' this expectation. One report estimate comes in at 165.9 bpa compared to the USDA's 168.8.

US Slaughter	
428,000	Tuesday
413,000	Tuesday (year ago)
W. Corn Belt	\$72.26
National Price	\$77.30
Daily Sig 3	\$174.56
Daily Sig 4	\$180.82
Thunder Creek	\$174.75
4-Month Fwd.	\$ 146.33
<b>B of C Ex. Rate (Noon)</b>	
\$1.3179 CAD / \$.07588 USD	
<b>Cash Prices Week Ending August 29, 2015</b>	
Signature 3	179.90/81.60
Signature 4	185.41/84.10
h@ms Cash	178.40/80.92
Hylife	183.40/83.19
Thunder Creek	182.70/82.87
ISO Weans	\$19.04 US Avg.
Feeder Pigs	\$35.58 US Avg.
#1 Export Sows (Tagged) \$56.50 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		145.16 162.18	136.22 142.30	141.69 145.95	140.11 149.84	153.49 156.53	154.83 158.48	158.94 165.59	171.40 181.09	182.30 188.35	188.96
Maple Leaf Sig. #4		153.47 165.88	141.92 150.40	146.40 150.17	144.16 151.23	155.00 158.29	157.59 160.41	161.36 166.45	170.55 181.34	181.81 186.03	189.31
Soymeal Winnipeg Delivered	500	491	484	484	481	484	484				
Corn	Local delivered price available on request										

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**All local h@ms soymeal deliveries will be suspended from September 1 to September 9 (or until further notice) as US suppliers shut down for maintenance.**

STRENGTH IN NUMBERS

