



# Hog Margin Outlook

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Friday, September 11, 2015

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

US Slaughter	
434,000	Thursday
411,000	Thursday (year ago)
W. Corn Belt	\$66.84
National Price	\$73.51
Daily Sig 3	\$161.96
Daily Sig 4	\$172.48
Thunder Creek	\$161.81
4-Month Fwd.	\$ 142.76
<b>B of C Ex. Rate (Noon)</b>	
\$1.3219 CAD / \$0.7565 USD	
<b>Cash Prices Week Ending September 12, 2015</b>	
Signature 3	162.55/73.73
Signature 4	174.92/79.34
h@ms Cash	161.05/73.05
Hylife	n/a
Thunder Creek	168.40/76.39
ISO Weans	\$24.73 US Avg.
Feeder Pigs	\$38.94 US Avg.
#1 Export Sows (Tagged)	n/a (+500lbs.)

**Forward contract prices opened lower this morning.** US cash markets were near steady in trade yesterday, with US packers content to protect their profitable gross operating margins, estimated at over \$35 per hog. Packers are largely in control of prices as the hog supply continues to exceed most analyst expectations while wholesale pork prices have yet to see any significant weakness. However, the pork carcass cut-out fell by nearly \$1.50/cwt in trade yesterday, with ham values falling below \$65/cwt. Hams have lost about 7% of their value recently, possibly due to a growing supply. But analysts expect good performance from hams leading to the holidays, as turkey prices are up close to 20% from last year, while hams are down by close to 30% from year ago levels. Futures values have largely been focused on supply fundamentals with hog numbers outpacing the latest USDA forecast by 3-4%. Forward prices offered in one month's time are running near equivalent to the current cash market, which, if booked would bring certainty to cash flow at a time of year when prices are typically quite volatile.

**Canadian delivered soymeal prices opened lower this morning.** All traders and analysts will be focusing on today's WASDE report, released mid-trade at noon, Eastern. Much of the pre-report positioning has already taken place and volumes are expected to be light prior to the report's release. There is a general expectation of profit taking if the report surprises the market and comes in with production numbers higher than expectations. However, most are expecting lowered yield and production estimates.

**US corn futures opened lower this morning.** Like soybeans, the US corn trade is expecting reductions in yield and production estimates for the 2015/16 crop. There was talk that the USDA numbers so far have simply been too high, and now with talk of nutrient loss due to excessive moisture especially in the ECB, yields could be impacted relative to the August report. To date, physical evidence from southern harvesting areas has been varied and inconclusive.

Summary of Analyst Estimates (September WASDE)					
	2015/16	August	Low	High	AVG
Soy-beans	Yield (bpa)	46.9	45.4	47.1	46.4
	Production	3.916 bil	3.791 bil	3.935 bil	3.869 bil
	Carryout	0.470 bil	0.336 bil	0.475 bil	0.415 bil
Corn	Yield (bpa)	168.8	166.1	170.5	167.6
	Production	13.686 bil	13.471 bil	13.870 bil	13.599 bil
	Carryout	1.713 bil	1.511 bil	1.832 bil	1.643 bil

Source: Meyer and Steiner, DLR

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		142.05 158.40	132.92 139.01	138.40 142.66	137.86 147.59	151.23 154.27	152.57 156.22	156.83 163.82	170.91 180.62	181.83 187.90	186.07 188.51
Maple Leaf Sig. #4		150.28 161.28	138.73 147.22	143.21 146.98	141.98 149.04	152.81 156.11	155.40 158.23	159.17 164.75	170.09 180.90	181.37 185.60	186.87 188.89
Soymeal Winnipeg Delivered	492	489	482	482	480	482	482				
Corn	Local delivered price available on request										

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Or phone Everlito at 204-346-6080

This year's event to be held on December 2, 2015

