



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 01, 2015

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

www.hamsmarketing.ca

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

Forward contract prices opened lower this morning. US cash markets gained another \$1.50/cwt in trade yesterday as packers were aggressively seeking supplies to expand their slaughter schedules in order to capitalize on extremely profitable operating margins. Packers are on pace to slaughter 2.3 million hogs this week. Hog carcass weights were 208 lbs. last week, their highest level since early July. If the USDA's market hog survey was accurate, an additional 100,000 hogs per week will be slaughtered in a month's time adding another 5% to the supply. A sharp drop in beef prices over the last 3 weeks combined with the increase in pork production may result in a larger than normal break in hog prices, which is typically close to 14% over the next 6 weeks. December Lean Hog futures currently suggest that this drop will be closer to 10%, inferring that current forward prices represent fair to good value relative to a normal seasonal trend. Producers with less than 40% of their production covered should look to add more price protection to the winter months in order to bring more certainty to their cash flow.

Canadian delivered soymeal prices opened lower this morning. The slight 'tightening' in the September US soybean Grain Stocks reports provided some support that continued into this morning's trade ahead of the Weekly Export Sales report released later today. There is talk that if levels come in near (or better than) expectations, another round of buying could materialize. For September stocks, beans came in at 191.5 million bu. compared to trade estimates near 200 million and a 210 million estimate by the USDA in the WASDE report. A private firm has also suggested yields lower than the 46.5 bpa compared to the USDA's 47.1, adding support. However, 2015/16 stocks could still end up near 430 million bu. the highest level since the 2006/7 season.

US corn futures opened higher this morning. Unlike soybeans, the September Grain Stocks report didn't provide much support for the trade as there wasn't a significant change to the numbers relative to expectations. In fact, the trade was expecting a 500 million bu. increase over last year's September stocks number which was almost exactly what the report reflected; a 499.41 million bu. increase over 2014. There is talk that a good harvest pace and the high USD is pressuring although with strength in soybeans and wheat, corn remains supported. Chinese markets are closed from now until next Wednesday for Chinese 'National Days'.

US Slaughter	
429,000	Wednesday
419,000	Wednesday (year ago)
W. Corn Belt	\$72.36
National Price	\$72.91
Daily Sig 3	\$177.65
Daily Sig 4	\$173.35
Thunder Creek	\$177.67
4-Month Fwd.	\$ 145.64
B of C Ex. Rate (Noon)	
\$1.3394 CAD / \$0.7466 USD	
Cash Prices Week Ending September 25, 2015	
Signature 3	167.56/76.00
Signature 4	169.87/77.05
h@ms Cash	166.06/75.32
Hylife	168.60/76.48
Thunder Creek	164.50/74.62
ISO Weans	\$31.32 US Avg.
Feeder Pigs	\$43.23 US Avg.
#1 Export Sows (Tagged) \$42.50/cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3	147.03	137.93 144.00	143.39 147.64	139.04 148.75	152.39 155.42	153.60 157.24	157.84 165.08	169.88 179.58	180.79 186.86	180.28 187.63
Maple Leaf Sig. #4	154.36	142.85 151.30	147.31 151.07	144.75 149.68	153.44 156.73	156.37 159.19	160.13 165.96	169.09 179.42	179.89 184.11	182.05 187.98
Soymeal Winnipeg Delivered	462	464	464	466	463	463				
Corn	Local delivered price available on request									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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