



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, October 23, 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 traded lower yesterday, with packers finding hog supplies abundant given the early week closure of Smithfield's flagship plant. A problem with the roof structure in their Tar Heel facility had them shut down operations, resulting in a backlog of 50,000 hogs developing over the following days. The combination of this event and a drop of \$1.62/cwt in the pork cut-out has cash bids in a lower trend, as packers protect their excellent operating margins. Yesterday, the USDA released its latest Cold Storage report, which showed pork supplies grew by 19% over last year's levels. This was not unexpected given that production has been running close to 6% higher than year ago levels, but not all of categories reported on were up. Pork Belly inventory has shrunk to 1/3 of the level seen last year, indicating excellent domestic demand for this particular primal cut. Lean Hog futures are trading lower this morning, largely ignoring the Cold Storage report and more focused on the current cash market trend.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower after seeing initial strength earlier in the week on decent demand including some 'surprises' from China considering their lacklustre economic outlook. A rapidly progressing US harvest, talk of increasing yields and more word that initial demand may have subsided somewhat for the time being, are pressuring the trade. As well, there is some uncertainty developing as planting areas in Brazil are either too dry on the one hand or ideal on the other, sending mixed messages to the market as planting activity progresses in South America.

US corn futures opened lower this morning. Weakness in soybeans and the highest USD since the beginning of the month are pressuring the corn trade to finish off the week. Evidence of a high dollar impacting export business is coming in and supports the idea that US corn is at a distinct disadvantage, mainly because the Dollar's strength adds a premium to US variants. Cumulative sales are currently estimated at 25.3% compared to the 5-year average of 44.8%. Adding more pressure are rumors coming from China that subsidies will be enhanced in order to influence end users to buy large domestic stockpiles.

| US Slaughter | |
|--|---------------------|
| 434,000 | Thursday |
| 427,000 | Thursday (year ago) |
| W. Corn Belt | \$69.52 |
| National Price | \$74.72 |
| Daily Sig 3 | \$166.78 |
| Daily Sig 4 | \$173.59 |
| Thunder Creek | \$166.50 |
| 4-Month Fwd. | \$ 145.67 |
| B of C Ex. Rate (Noon) | |
| \$1.3088 CAD / \$0.7641 USD | |
| Cash Prices Week Ending October 24, 2015 | |
| Signature 3 | 166.65/75.59 |
| Signature 4 | 173.06/78.50 |
| h@ms Cash | 165.15/74.91 |
| Hylife | n/a |
| Thunder Creek | 168.60/76.48 |
| ISO Weans | \$36.73 US Avg. |
| Feeder Pigs | \$47.10 US Avg. |
| #1 Export Sows (Tagged) \$62.00/cwt. (+500lbs.) | |

| Fixed Forward Range (at opening) | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
|----------------------------------|--|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | | 141.29 145.52 | 134.44 144.11 | 147.73 150.75 | 149.18 152.80 | 153.41 160.70 | 166.01 175.68 | 176.89 182.93 | 173.65 183.53 | 163.07 177.50 |
| Maple Leaf Sig. #4 | | | 144.77 148.51 | 137.68 144.77 | 148.44 151.71 | 151.59 154.40 | 155.34 161.23 | 164.86 175.15 | 175.62 179.83 | 175.02 183.11 | 171.42 175.61 |
| Soymeal Winnipeg Delivered | 466 | 459 | 462 | 465 | 462 | 462 | | | | | |
| Corn | Local delivered price available on request | | | | | | | | | | |

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance. Any unauthorized distribution (including email forwarding) of the HMO is strictly prohibited.

h@ms 2015 Fall Marketing Meeting Schedule

| Meeting | Date and Time | Location |
|---------------|--------------------------|---|
| Swift Current | Tues., Oct. 27 - Noon | Days Inn - 905 North Service Road East |
| Saskatoon | Wed., Oct. 28 - Noon | Courtyard Marriott - 333 Aerogreen Crescent |
| Headingley | Thurs., Oct. 29 - 2:00PM | Headingley Com. Centre - 5353 Portage Ave. |
| Steinbach | Fri., Oct. 30 - Noon | Smitty's Restaurant - Clear Spring Mall |
| Starbuck | Thurs., Nov. 12 - 2:00PM | Starbuck Community Hall - 25 Main Street |