



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, October 27, 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 started the week lower, with Midwestern regions reporting a drop of \$1.30/cwt yesterday, following the trend that developed late last week. Abundant hog supplies have packers in good shape for this week's slaughter allowing them to cut their cash bids in order to protect their margins amid the weaker wholesale pork market. The pork cut-out fell close to \$4.00/cwt over the last week, and appears to be breaking out of its recent trading range as Bellies and Hams experience weakness. Lean Hog futures are also reflecting the bearish cash market fundamentals, with the nearby contracts losing \$4-\$5/cwt over the last 3 trading days. A report released by the World Health Organization (WHO) contributed to the losses yesterday, as its review of scientific evidence found support that processed meat is linked to colorectal cancer. The report garnered widespread media attention, which could result in lower demand for products like bacon, ham and sausage.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher on news that export inspections tallied a very large 2.671 MMT, surpassing the 5-year cumulative average and putting into question the 'actual' demand coming from China in the mid-term. Pressure comes from some weakness in palm oil values, weakness in energy markets (affecting soy oil for biodiesel), decreasing crush margins and thoughts that large supplies will soon be coming to market; domestic yields are expected to improve and Brazil's weather is cooperating this week. The US soybean harvest has come in at 87% complete, in line with, but at the lower end of expectations.

US corn futures opened higher this morning. Fundamentals for US corn are still bearish but there are thoughts that the demand side of the equation is about to gain some momentum. For now, aggregate demand numbers reported to the USDA are low relative to history, the US Dollar is high, the Chinese are (or will soon be) offering subsidies to domestic corn end-users, and harvest has been reported at 75% complete compared to the 10 year average of 59%. However, there is evidence ethanol demand in China is increasing and technical indicators are suggesting 'actual' demand (not yet reported to the USDA) is on the rise.

US Slaughter	
435,000	Monday
425,000	Monday (year ago)
W. Corn Belt	\$67.09
National Price	\$73.78
Daily Sig 3	\$161.52
Daily Sig 4	\$171.99
Thunder Creek	\$161.20
4-Month Fwd.	\$ 143.23
B of C Ex. Rate (Noon)	
\$1.3134 CAD / \$0.7614 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	171.27/77.69
Thunder Creek	168.60/76.48
ISO Weans	\$36.84 US Avg.
Feeder Pigs	\$50.34 US Avg.
#1 Export Sows (Tagged) \$63.50/cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #3			136.23 140.48	132.76 142.48	146.12 149.16	148.02 151.66	152.27 159.64	164.67 174.39	175.61 181.69	172.42 182.29	162.04 176.53
Maple Leaf Sig. #4			140.86 144.62	137.03 144.09	147.85 151.14	151.45 154.27	155.21 161.18	164.52 174.88	175.35 179.59	174.80 182.88	171.41 175.62
Soymeal Winnipeg Delivered	467	460	463	467	465	465					
Corn	Local delivered price available on request										

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h@ms 2015 Fall Marketing Meeting Schedule

Meeting	Date and Time	Location
TODAY - Swift Current - TODAY	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