

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, November 30, 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 are expected to trade near steady this week, even as pork production is expected at or near record high levels. There is a possibility of some short term support coming from a snowstorm moving through the Midwest which could delay marketings, resulting in packers sharpening their pencils to ensure they meet their planned production schedule. Packers continue to yield excellent operating margins due to the significant price spread between live hog and wholesale pork prices. Over the next 3 weeks, hog numbers are expected to ease, with the last USDA report suggesting slaughter should drop to less than 3% larger than year ago levels and eventually to numbers steady with year ago levels into 2016. However, bearish pressure from heavy supplies of both chicken and beef will continue for several months as both of these competitors are experiencing their heaviest supplies in several years. Producers should not expect a quick recovery from the recent downturn in prices and consider setting price targets \$4-\$6/kg higher than current forward prices on 20% of planned production for all offered contracts in 2016.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading higher prompting thoughts that the seasonal bottom has (finally) been found. However, a looming shock that might put a damper on any sustained recovery is the uncertainty surrounding an Argentine influx of grains. There is talk that soybean export taxes will drop from 35% currently to 5% on December 10 when the new Argentine administration takes office and could result in increased world supply. As such, the recent support could be a function of some profit taking ahead of a new supply dynamic and thus be relatively short lived. There are some concerns with flooding in areas of Brazil, adding support.

US corn futures opened higher this morning. As with beans, the US corn trade is showing some support that is thought to be mainly technical action ahead of the regime change, and lower export taxes, in Argentina. Export taxes are rumored to be reduced even more dramatically for corn (and wheat) to zero percent (0%) for a period of time from the current 20% level in an effort to incent sales and get supply pipelines moving. Additional support comes from export sales that came in at 2.564 MMT compared to the 900,000 - 1.3 million MT trade expectations.

US Slaughter	
2.129 mil.	Last Week
1.987 mil.	Last Week (year ago)
W. Corn Belt	\$51.40
National Price	\$57.83
Daily Sig 3	\$125.87
Daily Sig 4	\$137.14
Thunder Creek	\$126.01
4-Month Fwd.	\$ 129.60
B of C Ex. Rate (Noon)	
\$1.3360 CAD / \$0.7485 USD	
Cash Prices Week Ending November 28, 2015	
Signature 3	126.57/57.41
Signature 4	136.06/61.72
h@ms Cash	125.07/56.73
Hylife	135.11/61.29
Thunder Creek	124.40/56.43
ISO Weans	\$37.15 US Avg.
Feeder Pigs	\$42.69 US Avg.
#1 Export Sows (Tagged)	N/A (+500lbs.)

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3			116.91 123.03	125.47 128.53	127.67 131.34	131.95 139.38	150.15 162.39	163.61 169.73	164.26 171.62	153.47 168.18	145.18 149.47	144.16
Maple Leaf Sig. #4			122.69 126.48	129.32 132.63	132.75 135.59	136.54 142.56	150.97 163.30	163.77 168.04	167.02 172.96	163.34 167.61	147.00 161.72	147.77
Soymeal Wpg Delivered	418	423	428	431	431	434						
Corn	Local delivered price available on request											

STRENGTH IN NUMBERS

Some Important Phone Numbers

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