



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 02, 2015

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

www.hamsmarketing.ca

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

Forward contract prices opened higher this morning. US cash markets improved slightly yesterday with packers adding \$0.30-\$0.40/cwt to their bids. The live hog supply is abundant, with the daily slaughter running just shy of its recent daily record of 440,000 hogs. Producers were current with their marketings going into last week, but the reduction of one day (US Thanksgiving) in a full slaughter schedule has added weight to animals that would have otherwise been slaughtered. Packer operating margins remain very good, with the pork carcass cut-out holding firm for the last 3 weeks, despite pork production consistently running at record levels. The primal cuts that have put the most pressure on the cut-out have been loins and bellies, which together make up about 40% of the hog carcass. However, over the last week trim values have contributed to lower margins for packers, losing more than 10% of their value in part due to the sharp drop in beef values. Lean Hog futures are reflecting the bearish cash market fundamentals, with traders generally pessimistic about a quick recovery.

Canadian delivered soymeal prices opened lower this morning. The US soybean complex saw gains across the board yesterday on thoughts of some reduced production from Brazil (weather related), technical short covering, rumors of discount buying especially in the meal market, and thoughts that there might not be a mass influx of beans entering global markets from Argentina despite lower export taxes in December. As well, the slower than average planting pace in Brazil is also supportive (80% currently complete vs. the 88% average). However, markets remain at their lowest prices in this decade and there are expectations for large volumes on the horizon, despite the news that has provided early support this week.

US corn futures opened lower this morning. The US corn trade has seen some support early this week, getting a lift from other grains and also on news that the Renewable Fuel Standard (RFS) mandate has been raised. While the RFS mandate has largely come in within market expectations, the bullish tone follows an essential guarantee that 5.3 billion bushels of corn will be demanded from the sector (slightly higher than the 5.25 bn. estimated earlier and more than the 5.209 bn. utilized last season). Over the past three years, ethanol and by-products have consumed 33% of the US corn crop on average. December's WASDE report will be released next week on Wednesday, December 9.

US Slaughter	
438,000	Tuesday
427,000	Tuesday (year ago)
W. Corn Belt	\$52.65
National Price	\$57.33
Daily Sig 3	\$129.05
Daily Sig 4	\$136.08
Thunder Creek	\$128.88
4-Month Fwd.	\$ 138.10
B of C Ex. Rate (Noon)	
\$1.3372 CAD / \$0.7478 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)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		125.05 131.17	133.61 136.67	136.26 139.93	140.54 148.28	159.56 171.83	173.06 179.19	173.73 181.09	164.05 178.76	153.64 157.93	153.03
Maple Leaf Sig. #4		130.57 134.36	137.21 140.52	141.07 143.91	144.86 151.19	160.10 172.46	172.93 177.21	176.19 182.12	173.58 177.85	155.19 169.90	156.37
Soymeal Wpg Delivered	429	433	435	435	439	439					
Corn	Local delivered price available on request										

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