



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

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 09, 2015

For details call: (204)235-2237 or visit  
[www.hamsmarketing.ca](http://www.hamsmarketing.ca)

**Forward contract prices opened lower this morning.** US cash markets traded near steady despite wholesale pork prices moving sharply lower in the early trade this week. Pork bellies lost 11% of their value and traded at their lowest level in 6 months, dragging the pork cutout down nearly \$2.00/cwt. Packer operating margins remain profitable as the spread between carcass and wholesale pork primal prices is still over \$20/cwt., maintaining a better-than-average trend for the last 5 months. With heavy supplies of pork, beef and chicken, it is apparent that the market will need to see greater export sales volumes in order to stage a price recovery. The latest export sales numbers from October had total pork exports up 7% from last year, but still below 2013 and 2012 levels. US pork has struggled to compete (and gain market share) since the US dollar has strengthened against almost all other currencies. Producers without price protection in 2016 should consider covering 20% of their planned production on any market rally in order to mitigate the effect of heavy meat supplies.

**Canadian delivered soymeal prices opened lower this morning.** The December WASDE report (released at 11AM today) is not known to be a market mover; the USDA usually makes little adjustments to supply side numbers (one time in the past five years to imports) and only minor adjustments to the demand side. This year, pressure could come from rumors of earlier imports and thoughts of meagre demand (although demand is steadying from China). A surprise on demand side could boost the trade that hasn't seen sustained support for some time, but anticipation of large volumes from Argentina after the 10<sup>th</sup> will likely keep the lid on any significant rally in the mid-term. Further, Argentina will also make a currency policy announcement on the 14<sup>th</sup> that could influence increased farmer selling.

**US corn futures opened higher this morning.** Technical short covering for US corn appears to be providing some support as the fundamental news remains bearish. There are thoughts China is struggling to utilize large volumes (and stockpiles) of corn as its economy slows relative to recent years. As well, like beans, large production volumes are expected to come from Argentina after the 10<sup>th</sup> when the new zero percent export tax is implemented. In fact, with only 60% of the Argentine crop in the ground, there is talk that more acreage could be incentivised as a result of the decreased export tax, potentially adding pressure further out. A rumored floating Argentine currency policy would likely influence larger sales from the region as well.

| US Slaughter                                     |                    |
|--|--------------------|
| 438,000  | Tuesday            |
| 430,000  | Tuesday (year ago) |
| W. Corn Belt                                     | \$52.18            |
| National Price                                   | \$58.60            |
| Daily Sig 3                                      | \$130.01           |
| Daily Sig 4                                      | \$141.38           |
| Thunder Creek                                    | \$129.90           |
| 4-Month Fwd.                                     | \$136.74           |
| <b>B of C Ex. Rate (Noon)</b>                    |                    |
| \$1.3593 CAD / \$.07357 USD                      |                    |
| <b>Cash Prices Week Ending December 05, 2015</b> |                    |
| Signature 3                                      | 128.61/58.34       |
| Signature 4                                      | 136.94/62.12       |
| h@ms Cash  | 127.11/57.66       |
| Hylife   | 136.01/61.69       |
| Thunder Creek                                    | 126.30/57.29       |
| ISO Weans  | \$38.60 US Avg.    |
| Feeder Pigs                                      | \$43.82 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               |  | 123.90<br>130.09 | 132.57<br>135.67 | 134.56<br>138.27 | 138.89<br>146.57 | 159.03<br>171.45 | 172.69<br>178.90 | 173.29<br>180.74 | 164.56<br>179.45 | 157.74<br>162.08 | 157.12 |
| Maple Leaf Sig. #4               |  | 129.58<br>133.42 | 136.30<br>139.66 | 139.54<br>142.42 | 143.38<br>149.63 | 159.65<br>172.15 | 172.64<br>176.96 | 175.86<br>181.86 | 174.25<br>178.57 | 159.23<br>174.13 | 160.44 |
| Soymeal Wpg Delivered            | 429  | 430              | 432              | 429              | 432              | 432              |                  |                  |                  |                  |        |
| 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 and all pricing is subject to verification. Any unauthorized distribution is strictly prohibited.

| Headingley Main Office | h@ms Holiday Schedule               | Winnipeg Livestock (WLS) |
|------------------------|-------------------------------------|--------------------------|
| 8:00AM – 2:00 PM       | Thursday, December 24               | 8:30AM – 12 noon         |
| Closed                 | Friday, Dec. 25 and Monday, Dec. 28 | Closed                   |
| 8:00AM – 3:00 PM       | Thursday, December 31               | 8:30AM – 12 noon         |
| Closed                 | Friday, January 1                   | Closed                   |