



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, December 15, 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 were lower yesterday, with the hog supply showing no signs of moderation. Yesterday's daily slaughter was estimated at 441,000 hogs, contributing to the cash market weakness resulting in packer bids at their lowest level of 2015. 2016 Lean Hog futures gained value in spite the cash market trend, moving higher for each of the last 5 trading days and gaining approximately 5% in value. The recent future strength provides a good hedging opportunity for producers who have not covered any of their 2016 production. Over the last 5 years, cash markets have averaged a \$40/kg increase from December to June, largely reflecting the seasonal reduction in hog supply. The smallest gain was seen this year when the cash market only appreciated about \$7/kg, while the largest was in the spring of 2014 (the peak of PED losses) when the market gained \$80/kg. Current forward prices for the spring and summer offer producers a price premium of nearly \$60/kg over current cash prices. This opportunity exists despite pork, chicken and beef supplies that will be near record levels for months and export sales that are constrained by the strong US Dollar.

Canadian delivered soymeal prices opened mixed this morning. A number of factors are contributing to pressure across the soybean complex this morning. For beans and meal, the new lower export tax to be signed by the Argentine president today is pressuring those commodities as thoughts of an influx in global supply are reinvigorated. For soy oil, drops in competitive oilseed exports and improving weather in Asia are pressuring the oil complex. Operationally, soymeal buyers are reminded that service levels and truck availability will be reduced in the coming weeks and to confirm deliveries ahead of the Christmas/New Year timeframe. 'Last minute' and/or late requests risk being unfilled.

US corn futures opened lower this morning. Like beans, corn is seeing some early pressure this morning as the market anticipates the degree to which Argentina will start marketing product, following policy changes in export taxes and currency rates. The pressure is exacerbated by persistently low demand for the US crop even though it is trading at multi-year lows. Global demand is meagre but the relative strength of the US dollar has been an ongoing factor that hasn't subsided substantially enough (or for long enough) to make US corn attractive on global markets. Sub-\$3.00 USD/bu. corn has been hinted at (but not predicted) in the mid to long term.

US Slaughter	
441,000	Monday
432,000	Monday (year ago)
W. Corn Belt	\$51.25
National Price	\$57.67
Daily Sig 3	\$129.01
Daily Sig 4	\$140.59
Thunder Creek	\$128.77
4-Month Fwd.	\$144.45
B of C Ex. Rate (Noon)	
\$1.3733 CAD / \$.07282 USD	
Cash Prices Week Ending December 12, 2015	
Signature 3	129.23/58.62
Signature 4	140.00/63.50
h@ms Cash	127.73/57.94
Hylife	138.77/62.95
Thunder Creek	128.90/58.47
ISO Weans	\$41.35 US Avg.
Feeder Pigs	\$52.15 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		130.06 133.83	136.35 139.49	140.88 144.65	145.28 152.85	165.88 178.46	179.72 186.01	179.39 186.94	168.45 183.54	161.98 165.75	159.96 160.75
Maple Leaf Sig. #4		134.47 137.15	140.07 143.48	145.80 148.72	149.70 155.81	166.36 179.03	179.51 183.90	181.88 187.97	178.22 182.61	162.83 177.93	163.42 164.04
Soymeal Wpg Delivered	431	431	434	431	435	435					
Corn	Local delivered price available on request										

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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