



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, December 29, 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 started the second consecutive holiday reduced slaughter week with lower packer bids. Hog supplies have exceeded expectations for the last month and have consistently pressured packer bids lower, reflecting the proximity with which hog supplies have come near slaughter capacity. While last week's USDA Hogs and Pigs report indicated that analysts were on the right track with their forecasts, the numbers still reflect the largest market hog supply ever experienced in the US. Further, the long term trend is concerning, given the growth in the breeding herd of about 1.1% and litter size of nearly 2% over last year's levels. 2016 pork production appears as though it will be the largest on record, even as beef and chicken supplies grow to their highest levels in several years. It appears as though price strength will be difficult to come by, and any rallies will likely be a result of demand, largely export related. Producers should consider covering up to 40% of their 2016 production at current prices, with a focus on the Sep-Nov production where slaughter capacity could be a constraint that sends prices sharply lower.

Canadian delivered soymeal prices opened lower this morning. Decent sales figures and some potentially troubling weather in the Brazilian forecast are providing the complex with some support. Meal and oil sales are both above their cumulative 5-year averages and there were 100,000 MT of beans sold to an unknown destination adding some near term strength. However, it is thought that the cheaper Argentine product will soon find its way into the US, likely from the east coast destined for feed customers, a bearish factor that is keeping the upside in check.

US corn futures opened lower this morning. US corn futures are under some pressure despite ethanol production numbers coming in lower than the previous week. While ethanol utilizes a large portion of the US corn crop, the slowdown in demand was not enough to offset thoughts that large production volumes will be coming from S. America in the near term and from Argentina in particular. While Brazil remains too dry in the north and too wet in the south, there hasn't been a sustained weather event to cause a market reaction, yet, and there is still talk any damage due to stress can be turned around if the weather returns to more normal patterns.

US Slaughter	
440,000	Monday
435,000	Monday (year ago)
W. Corn Belt	\$48.45
National Price	\$55.74
Daily Sig 3	\$122.96
Daily Sig 4	\$136.98
Thunder Creek	\$122.71
4-Month Fwd.	\$153.32
B of C Ex. Rate (Noon)	
\$1.3845 CAD / \$0.7223 USD	
Cash Prices Week Ending December 26, 2015	
Signature 3	124.72/56.57
Signature 4	139.89/63.45
h@ms Cash	123.22/55.89
Hylife	138.79/62.95
Thunder Creek	126.60/57.43
ISO Weans	\$48.16 US Avg.
Feeder Pigs	\$51.69 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		134.87	137.41 140.58	141.30 148.91	150.82 158.30	168.02 185.78	187.05 193.39	185.40 194.02	173.78 189.04	159.03 165.39	157.60 158.87
Maple Leaf Sig. #4		138.23	141.18 144.62	146.29 152.93	155.14 161.16	170.93 186.16	186.66 191.08	187.79 194.52	183.55 187.98	160.03 175.30	160.12 161.26
Soymeal Wpg Delivered	427	424	426	423	428	428					
Corn	Local delivered price available on request										

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Headingley Main Office	h@ms Holiday Schedule	Winnipeg Livestock (WLS)
8:00AM – 3:00 PM	Thursday, December 31	8:30AM – 12 noon
Closed	Friday, January 1	Closed