



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, December 31, 2015

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

www.hamsmarketing.ca

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

Forward contract prices opened mixed this morning. US cash markets found support in trade yesterday, despite reduced production hours that are leaving animals backed up. Packers cut their production by about 30% last week and are estimated to be down close to 20% this week compared to pre-Christmas levels. This large reduction leaves a backlog of animals that will be pushed into the first 2-3 weeks of January, limiting cash market upside. Adding to the bearish pressure in the near term is the drop in pork product prices experienced yesterday which shaved \$3.00/cwt or about 4% off of the pork carcass cut-out. Lean Hog futures have resisted most of the negative influence from the cash market for the last several weeks, with all offered contracts holding a better than average premium to the current cash market. Over the last five years, cash prices have gained an average of \$40/ckg from January to July while current forward contract prices are offering a rally of more than \$60/ckg over the same timeframe. Given the projection of record pork production amid increased competition from beef and chicken and sluggish exports, producers should secure profitable operating margins on 40% of 2016 production.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower to finish off the last trading day of 2015 and volumes are expected to be light as many traders have taken the day off. Unsurprisingly, new crop estimates are starting to trickle out and the longer term tone is mostly bearish, but depends on 84 million acres being planted (the highest in the last 5 years), a 650 bu. carryout, and normal weather patterns. In any event, expectations of large volumes from North and South America are pressuring all contracts and it appears only a serious weather event or trade disruption will support US beans significantly in 2016.

US corn futures opened lower this morning. As with soybeans, the US corn trade is also expected to see some pressure in the New Year. Some analysts suggest 88 million acres (on pace with last year), trend-line yields and normal weather could result in a 1.8 billion bu. carryout, keeping the trade in the solid \$3.00 USD/bu. range. The result will be some of the lowest input costs for end users in quite some time, but the impacts to Canadian hog producers will likely be muted somewhat due to ongoing weakness in the Canadian dollar. In the short term, there is not much in the way of support as traders take a wait and see approach in anticipation of large Argentine volumes.

h@ms Marketing Services will be closed Friday, January 1 (tomorrow) for New Year's Day. Normal business operations resume Monday, January 4, 2016.

US Slaughter	
441,000	Wednesday
370,000	Wednesday (year ago)
W. Corn Belt	\$49.33
National Price	\$54.57
Daily Sig 3	\$125.54
Daily Sig 4	\$134.92
Thunder Creek	\$126.07
4-Month Fwd.	\$153.26
B of C Ex. Rate (Noon)	
\$1.3884 CAD / \$.7203 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		136.57	139.11 142.28	141.06 148.68	150.58 158.03	166.22 183.98	185.24 191.58	184.21 192.22	172.05 187.31	157.68 164.04	156.21 157.48
Maple Leaf Sig. #4		139.87	142.82 146.26	146.07 152.71	155.24 160.89	169.19 184.42	184.91 189.33	186.63 192.79	181.88 186.31	158.73 174.00	158.77 159.96
Soymeal Wpg Delivered	419	419	421	418	424	424					
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