



Hog Margin Outlook

Meeting Your Marketing Needs

Monday, January 04, 2016

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

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

Forward contract prices opened lower this morning. US cash markets are expected to be under pressure this week, as live hog supplies are burdensome after two weeks of holiday reduced production. Packers will attempt to catch up with the numbers by adding hours to their slaughter schedules which could push the weekly hog slaughter back to levels above 2.4 million hogs for the next two weeks. Packers still have large incentives to maximize their production, as operating margins remain profitable due to the \$20/cwt spread between packer bids and wholesale pork prices. 2016 is poised to yield the largest pork production on record for the US, which is expected to be an overwhelming bearish factor for the year. On the demand side, abundant chicken and beef supplies will pressure pork to move lower while exports continue to struggle with a strong US Dollar. Producers are encouraged to secure profitable hog prices on 40% of their 2016 production, due to the bearish market fundamentals and the larger than average premium that the forwards hold to the current cash market.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower. Improving weather in S. America (particularly Brazil) and meagre export demand are weighing on the trade to start the week. As well, there is talk that the market hasn't accurately priced in the potential for massive supplies from Argentina suggesting further downside is possible, despite the recent lows, as rumors continue to support the idea that Argentina will strategically engage in massive selling before Brazil starts harvesting. The impact of a weak CAD is masking the lows, adding approximately \$64.00 CAD/MT for Canadian buyers.

US corn futures opened lower this morning. As with the soybean trade, the US corn trade starts 2016 under pressure due to expectations of massive supplies from S. America (Argentina in particular), meagre export demand and the persistently higher USD relative to other currencies. As well, there talk of no technical low in sight even though many downside targets have been reached. Cumulative sales continue to drag on the trade, coming in at just 45.4% of USDA estimates, compared to the 60.7% five-year average.

US Slaughter	
1.664 mil.	w/e Dec. 31
1.236 mil.	w/e Dec. 31 (year ago)
Daily Prices	
W. Corn Belt	\$49.37
National	\$55.04
Iowa/S. MN.	\$49.43
Signature 3	\$125.25
Hylife	\$134.49
Thunder Creek	\$125.12
Sig 3 4-Month Fwd.	\$154.51
B of C Ex. Rate (Noon)	
\$1.3840 CAD / \$0.7225 USD	
Cash Prices Week Ending December 31, 2015	
Signature 3	124.18/56.33
h@ms Cash	122.68/55.65
Hylife	135.44/61.44
Thunder Creek	124.70/56.56
ISO Weans	\$50.27 US Avg.
Feeder Pigs	\$57.57 US Avg.
#1 Export Sows (Tagged)	N/A (+500lbs.)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		137.02 140.20	139.82 147.46	149.37 156.96	164.68 182.50	183.77 190.14	181.09 190.78	169.65 184.83	155.73 162.69	154.92 156.19
Soymeal Wpg Delivered	420	423	420	424	424	429				
Corn	Local delivered price available on request									

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