

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

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 05, 2016

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**Forward contract prices opened higher this morning.** US cash markets moved slightly higher yesterday, with the Midwestern afternoon prices reported slightly higher than US\$50/cwt. Heavy supplies of loin, belly and ham primal cuts are preventing any support from developing in the wholesale market, which in turn has packers cautious with their bids. The cash market trend over the first 6 months of the year is typically positive due to the seasonality of hog production which results in 10-15% fewer hogs in July as compared to January. Over the last 5 years (excluding 2014) the average cash market rally been \$28/pkg. Currently, forward prices in July are nearly \$60/pkg over current cash prices. Given the forecast for record large pork production and gains in chicken and beef production of more than 5% over last year, **producers should take the opportunity to secure very good profitability by hedging 40% of their intended 2016 production at current prices.**

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading higher after nearing some key support levels yesterday and reaching lows last seen in mid-November. Technical indicators are cited for the recovery which is being considered a bounce by some in the trade. The extent to which this particular bounce materializes into some sustained support remains to be seen, but weekly export inspections came in above trade expectations, providing some additional rationale for the move higher. Regardless, large supplies, the high USD, thoughts of a slowing Chinese economy and modest global demand outlooks in general will likely keep any upside in check.

**US corn futures opened higher this morning.** Like soybeans, the US corn trade is seeing a bounce this morning after hitting new contract lows. So far, the \$3.50 USD/bu. mark has yet to be breached, but the \$3.50 mark is considered a psychological support level suggesting there really is no fundamental reason for the nearby contracts not to fall below it. Almost all corn end-user demand news supports the notion of a move lower as well. Weakening livestock and ethanol margins and poor export demand doesn't offer much in the way of support in the mid-term and with expectations of large Argentine volumes coming to market soon, pressure is more likely than support.

US Slaughter	
437,000	Monday
430,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$50.01
National	\$54.90
Iowa/S. MN.	\$50.09
Signature 3	\$128.05
Hylife	\$133.72
Thunder Creek	\$127.97
Sig 3 4-Month Fwd.	\$158.92
B of C Ex. Rate (Noon)	
\$1.3969 CAD / \$0.7159 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)	\$18.00/cwt (+500lbs.)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		143.21 146.41	143.60 151.28	153.20 160.59	168.85 186.74	188.02 194.41	186.28 195.05	175.68 191.00	161.51 167.51	159.72 160.99
Soymeal Wpg Delivered	428	430	426	431	431	435				
Corn	Local delivered price available on request									

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