Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 06, 2016

For details call: (204)235-2237 or visit www.hamsmarketing.ca

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

US Slaughter	
434,000	Tuesday
413,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	$50.32
National	$55.28
Iowa/S. MN.	$50.62
Signature 3	$129.07
Hylife	$135.90
Thunder Creek	$129.55
Sig 3 4-Month Fwd.	$160.06
B of C Ex. Rate (Noon) $1.3993 CAD / $0.7146 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.)	

Forward contract prices opened higher this morning. *US cash markets gained more strength in yesterday's trade, with the USDA reporting the Iowa/S. Minnesota region gaining close to US$1.00/cwt. Packers have freeboard in their operating margins to bid the cash higher as wholesale pork prices (measured by the pork cut-out) are still trading at $20/cwt premium over cash hogs. Futures values have been supported by recent cash strength, but the significant headwinds of record large pork production, and 5-6% more beef and chicken in 2016 are expected to keep pressure on wholesale prices. On the export demand front, the prospect of significant gains looks limited due to the relatively high US Dollar. While most destinations are expected to maintain or marginally grow their volumes, the gains will likely be limited to opportunistic purchases relating to low US pork prices.* ***With 2016 forward prices currently offering an average price close to $170/ckg out to the end of October, producer should look at covering 40% of their intended production at current prices.***

Canadian delivered soymeal prices opened higher this morning. *US soybean futures are trading mixed. Bearish forces are materializing as the weather in Brazil becomes more cooperative. This is significant because assuming normal (or at least, cooperative) weather, Brazil is on pace to produce as much as 100 MMT, a record crop that will pressure the global trade. As well, Brazil products are at a discount to their US counterparts meaning large cost conscious customers (i.e. China) will likely pick up the less expensive variants so long as they start buying again. There is talk Argentina will strategically market soybeans ahead of Brazil's harvest.*

US corn futures opened higher this morning. *While the fundamentals in the US corn trade suggest more downside is possible, it has yet to breach the psychological $3.50 USD/bu. support level and is trading higher this morning. The bounce is believed to be technical in nature as the trade approaches oversold levels and contract lows. However, there are thoughts that perhaps $3.50 accurately captures the current uncertainty risk in the marketplace and the trade has finally found a bottom. While this is possible, it is also quite likely a more assured bottom will not be reached until Argentina starts publicly posting its export activity.*

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		144.67 147.89	144.46 152.19	154.12 161.99	169.68 187.73	189.02 195.46	187.80 196.11	177.24 192.69	162.57 169.00	161.17 162.45
Soymeal Wpg Delivered	429	429	429	433	433	438				
Corn	Local delivered price available on request									

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Some Important Phone Numbers
Main Office: 204-233-4991
Toll Free: 1-800-899-7675
Logistics: 204-235-2225
Risk Management: 204-235-2237

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