



# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, January 07, 2016

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

[www.hamsmarketing.ca](http://www.hamsmarketing.ca)

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

**Forward contract prices opened lower this morning.** US cash markets have made gains every day this week, despite the fact that hog supplies remain abundant for packers to meet their slaughter schedules. The higher trend that has developed this week is unexpected, and may reflect a different procurement strategy by one or more plants. It is not uncommon to see increased volatility in the timeframe following a number of short production weeks (impacted by the holidays), so one would look at wholesale pork prices for perspective. Most of the pork primal cuts are trading at or near their lowest level in the last year with marginal support experienced this week. Hog market fundamentals suggest a significant rally will be difficult to maintain given forecasts of record pork supplies, sluggish export sales and growth in beef and chicken production of 5-6%. **As a result, producers should take advantage of the strong prices that are being offered across all weeks in 2016 by contracting 40% of their intended production.**

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading lower as the market reacts to pressure from lower energy prices and some stock market selling as Chinese markets tripped the colloquial 'circuit breaker', an event that sees a halt to trading after losses reach 7% during a session. Most recently, that session lasted only half an hour, shaking the confidence of investors and likely setting up for a string of future losses. The result will likely be pressure on commodities used in end production like soymeal and corn. Fundamentally, the picture remains bearish as well and there is very little rationale for support at this time.

**US corn futures opened lower this morning.** Like beans, US corn futures trade is being influenced by factors not directly tied to strict fundamental or technical trading. The pressure in the global marketplace is weighing on the trade at the same time large supplies are expected. Even though next week's WASDE report will bring some fresh news to the marketplace, most traders are expecting more supplies and evidence of relatively weak demand. Pressure coming from Chinese markets has some investors concerned, but there are rumors the Chinese government is motivated to keep official economic growth rates above 6%. In the meantime, historical support levels could be breached.

US Slaughter	
436,000	Wednesday
416,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$51.06
National	\$55.23
Iowa/S. MN.	\$51.10
Signature 3	\$131.82
Hylife	\$136.02
Thunder Creek	\$131.62
Sig 3 4-Month Fwd.	\$168.41
B of C Ex. Rate (Noon)	
\$1.4084 CAD / \$.7100 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		144.64 147.86	144.12 151.85	153.79 161.52	167.75 185.79	187.08 193.52	185.27 194.16	174.54 189.99	159.99 167.07	159.45 160.74
Soymeal Wpg Delivered	431	431	431	435	435	440				
Corn	Local delivered price available on request									

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STRENGTH IN NUMBERS

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