

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 08, 2016

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

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

**Forward contract prices opened mixed this morning.** US cash markets have moved higher all week, as packers maintained a large slaughter schedule and continue to benefit from strong operating margins. With cash prices improving to more than US\$50/cwt in all USDA reporting regions, hog prices are trading at their highest since early December. In order to continue this trend, wholesale pork prices and specifically the Loin, Ham and Belly cuts will need to make gains, which have not been seen since before Christmas. Looking further into 2016, the forecast for record large pork production and 5-6% more beef and chicken in 2016 is expected to keep pressure on wholesale prices. In the export markets, the prospect of significant gains looks limited due to the relatively high US Dollar and indications of China struggling to maintain its recent economic growth. 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 \$165/ckg to the end of the year, producers 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 higher. Support comes from some peripheral strength that returned to the Chinese stock market (where it has turned around and gained 2% compared to the 7% loss in the previous session), and thoughts that the market is attempting to carve out a range ahead of next week's WASDE report on Tuesday, January 12. Traders are nonetheless calling short-term bounces selling opportunities suggesting a bearish tone still lingers within the trade. Weekly export inspections were within expectations and are now at 81.8% of forecasts compared to the 83.6% 5-year average.

**US corn futures opened higher this morning.** Like the soybean trade, US corn futures are moving higher, largely on technical positioning moves ahead of Tuesday's WASDE report. The inability for corn futures to push below \$3.50 USD/bu. has some suggesting the bottom has been reached given all the information the market currently has. Nonetheless, Argentine and Brazilian variants are priced below their US counterparts, providing stiff competition in the global export market, and keeping any upside potential in check. Cumulative sales are well below the 61.3% 5-year average, coming in at 46.0%.

US Slaughter	
439,000	Thursday
392,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$50.45
National	\$55.74
Iowa/S. MN.	\$50.77
Signature 3	\$130.03
Hylife	\$138.16
Thunder Creek	\$130.56
Sig 3 4-Month Fwd.	\$164.60
B of C Ex. Rate (Noon)	
\$1.4061 CAD / \$0.7112 USD	
Cash Prices Week Ending January 9, 2016	
Signature 3	129.74/58.85
h@ms Cash	128.24/58.17
Hylife	n/a
Thunder Creek	124.20/56.34
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	Nov	Dec
Maple Leaf Sig. #3		144.20 147.43	144.98 152.74	154.68 162.38	168.41 186.53	187.82 194.29	185.98 194.94	176.03 191.54	161.37 167.83	159.61 160.89	138.65 156.05	140.59 147.03
Soymeal Wpg Delivered	437	437	437	441	441	446						
Corn	Local delivered price available on request											

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STRENGTH IN NUMBERS

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