

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, January 12, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened higher this morning. US cash markets were reportedly mixed, but USDA's system of capturing US packer bids did not return any values due to a problem. The pork cut-out has experienced some support over the last two weeks, with Loins, Ribs, Bellies and Hams all contributing positively to the gains. Together, these cuts make up about 70% of the carcass, with the remaining 30% made up from the lower valued primal cuts of Butts, Picnics and trim. However, the drop value is also a consideration, as its contribution to packer revenue has dropped about \$15/head over the last year to 18 months. This helps to explain why the spread between cash bids and wholesale pork prices has been so large for the last 6 months. Lean Hog futures continue to offer a 50% larger than normal premium over current cash markets, in some periods. When one includes the effect of the 10% decline in the Canadian Dollar over the last 3 months, the average forward contract price for the year would be \$165/ckg. Producers that have not done so, should consider covering 40% of their 2016 production at current prices to ensure profitable margins in a time of heavy meat supplies.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher this morning in activity that is widely believed to be a function of pre-report(s) positioning. Two major reports will be released mid-trade today with Crop Production coming out at noon (essentially a final tally of the previous seasons' performance), followed by the WASDE report 15 minutes later (WASDE is typically released at noon). The general expectation is that poor demand and good yields will see 2014/15 carryout increased by 7% likely keeping any sustained upside potential in check. However, if numbers come in below expectations, some support could materialize among these lows.

US corn futures opened lower this morning. Pre-report positioning is finally turning into some support and resulting in a mixed trade to start the session ahead of today's USDA reports. The important factor to consider is market expectations relative to USDA estimates rather than if the estimates are 'high' or 'low' historically, and there is little expectation among traders that carryout numbers for corn will vary greatly from the previous report; all eyes will be on the current 1.785 billion bu. estimate. While the January report isn't typically a market mover, any divergence from the current estimate will likely initiate some repositioning activity.

US Slaughter	
437,000	Monday
430,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$51.28
National	\$55.81
Iowa/S. MN.	\$51.30
Signature 3	\$133.52
Hylife	\$139.00
Thunder Creek	\$133.27
Sig 3 4-Month Fwd.	\$164.96
B of C Ex. Rate (Noon)	
\$1.4205 CAD / \$0.7040 USD	
Cash Prices Week Ending January 9, 2016	
Signature 3	129.74/58.85
h@ms Cash	128.24/58.17
Hylife	136.53/61.93
Thunder Creek	124.20/56.34
ISO Weans	\$57.54 US Avg.
Feeder Pigs	\$64.62 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		149.09 150.40	147.34 155.18	157.14 164.88	170.97 189.24	190.55 197.08	188.21 197.73	178.76 194.38	162.88 170.04	162.22 163.76	140.60 158.21	142.56 149.08
Soymeal Wpg Delivered	440	440	440	443	443	447						
Corn	Local delivered price available on request											

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