

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 15, 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 higher this morning.** US cash markets moved lower for the first time this week, as the hog supply remains ample for packers to meet their planned weekend schedules. Early week disruptions at Smithfield Foods' operations have exacerbated the heavy supply, but their plants are adding hours to make up the down time. The higher but moderate trend in wholesale pork prices is providing some support to the cash market, with packers willing to increase their cash bids based on the support seen in Loins, Hams and Bellies. Lean Hog futures ended yesterday with gains supported by the firm cash markets, but are trading lower this morning with bearish influence coming from a sharp decline in cattle. With spring and summer forward prices still trading at premium to the current cash market that is more than double the normal level, producers should secure up to half of their 2016 production at current prices. Hog numbers are expected to peak in November/December which could lead to significant cash market declines if they approach weekly slaughter capacity. Current forward prices in November – December represent good value at \$145-\$150/kg given the risk of hog supply exceeding the capacity to process hogs in this timeframe.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower. Pressure comes from weakness in peripheral markets such as energy and news that short covering activity among the funds has been lower than expected. To date, export activity has been relatively decent and new crop sales are off to a good start, the most recent of which coming in just 65,000 MT short of the high trade expectation. There is talk that the funds may be poised to cover short positions fairly rapidly if the conditions present themselves. However, supply estimates remain large in the mid-to-long terms keeping a bearish tone within the trade.

**US corn futures opened lower this morning.** US corn continues to trade in a mixed and choppy pattern to finish off the week. This morning's early trade actually saw a bit of support to start the session but has since turned lower as of this writing. Although this week's WASDE report came in less bearish than trade expectations, the news didn't really develop into tangible support, somewhat unsurprising given the global fundamental picture. Even new crop sales surpassing trade expectations this week (669,200 MT) have not translated into significant support, although positive export demand will likely keep some of the downside momentum in check.

US Slaughter	
438,000	Thursday
426,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$52.45
National	\$57.23
Iowa/S. MN.	\$53.01
Signature 3	\$138.18
Hylife	\$143.97
Thunder Creek	\$139.35
Sig 3 4-Month Fwd.	\$168.97
B of C Ex. Rate (Noon)	
\$1.4373 CAD / \$0.6957 USD	
Cash Prices Week Ending January 16, 2016	
Signature 3	136.35/61.85
h@ms Cash	134.85/61.17
Hylife	n/a
Thunder Creek	130.80/59.33
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		153.47 154.80	150.95 158.90	160.89 168.94	174.86 193.42	194.75 201.38	192.21 202.04	181.97 197.85	168.38 175.67	167.65 168.97	144.84 162.70	146.82 153.44
Soymeal Wpg Delivered	445	445	445	449	449	454						
Corn	Local delivered price available on request											

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STRENGTH IN NUMBERS

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**h@ms Marketing Forward Contracting will be closed Monday, January 18 due to Dr. Martin Luther King, Jr. Day in the US.** US Markets will be closed; the Hog Margin Outlook and opening price reports will likewise not be distributed. Normal business resumes on Tuesday, January 19. The main office will remain open.