

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 20, 2016

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

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

US Slaughter	
439,000	Tuesday
437,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$54.86
National	\$58.75
Iowa/S. MN.	\$54.94
Signature 3	\$145.95
Hylife	\$150.00
Thunder Creek	\$145.84
Sig 3 4-Month Fwd.	\$170.66
B of C Ex. Rate (Noon)	
\$1.4514 CAD / \$0.6890 USD	
Cash Prices Week Ending January 16, 2016	
Signature 3	136.35/61.85
h@ms Cash	134.85/61.17
Hylife	142.75/64.75
Thunder Creek	130.80/59.33
ISO Weans	\$59.42 US Avg.
Feeder Pigs	\$68.57 US Avg.
#1 Export Sows (Tagged) \$34.50/cwt (+500lbs.)	

Forward contract prices opened lower this morning. US cash markets traded sharply higher yesterday with most regions reporting gains of \$2.00/cwt or better. However, in order to sustain the higher trend, wholesale pork prices will need to see support as packers will attempt to protect their healthy operating margins. The pork carcass cut-out has yet to recover to price levels experienced before the holidays, as abundant supplies are keeping a lid on items destined for further processing. Even with yesterday's cash market gains, spring and summer Lean Hog futures are trading at a premium close to double the 5-year average level, reflecting a good hedging opportunity from a historical standpoint. Longer term hog market fundamentals also suggest **hedging would be prudent**, due to the overwhelming growth expected in the US domestic meat supply. All of the 3 major proteins are adding to the already ample supplies through both the number of animals/birds being produced, but also the heavier weights. Further, export sales of beef, poultry and pork are all struggling to make gains due to a slowing global economy and a high US Dollar.

Canadian delivered soymeal prices opened even this morning. US soybean futures are trading lower after experiencing some strength to start the week. Some supportive news came from Brazil where harvest has begun and yields are coming in lower than expected (including historical averages). However, harvest is only 1% complete and there is still a lot of area to cover before final results can be tallied. Unexpected news from China regarding better than expected GDP numbers were also seen as supportive. The trade is shrouded in a bearish tone amid 'too much' supply currently and there are some private estimates suggesting the trading range for beans could come in near \$7.25 to \$7.75 USD/bu.

US corn futures opened lower this morning. There is much speculation in the US corn futures market that is currently dealing with some seemingly contradictory messages. On the one hand, there are rumors that South Africa will need to import coarse grains followed by talk of feed shortages in Brazil. On the other hand, the large hedge funds are holding on to a record net short position suggesting managed money views the current market as bearish. It would seem some private ag firms have the same view; a private estimate has suggested US corn will trade in the \$2.90-\$3.00 USD/bu. range on average for 2016.

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		155.29 155.29	150.24 158.22	160.22 168.15	173.21 191.83	193.16 199.81	191.56 200.48	180.98 196.92	167.96 174.60	166.63 168.89	145.37 163.41	147.38 154.06
Soymeal Wpg Delivered	449	449	449	453	453	457						
Corn	Local delivered price available on request											

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STRENGTH IN NUMBERS