

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, January 25, 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 trended higher last week, with packers matching cash bids to increases in the wholesale pork product market. The values of the components that contribute to pork packer operating margins have changed significantly over the last year, in particular by-product values that have decreased by 50%. This has resulted in packers taking a larger margin on wholesale pork cuts, and has led to a wider spread between cash prices and the pork carcass cut-out. The USDA released its latest Cold Storage Inventory for December 31, 2015. The report shows pork stocks are 8% larger than last year, which is consistent with recent production numbers. Possibly more concerning was the 16% increase in beef supplies and the 21% increase in chicken over the last year. There is an abundant supply of meat in the domestic US market which needs to be cleared and exports remain slow due to the high US Dollar. Fixed Forward contracts offered out to the end of the year are near \$170/kg, which represents a better than average premium over the current cash market. Producers without price protection should consider pricing as much as 50% of their production to secure profitable operations.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading higher despite bearish fundamental indicators and the influence of weaker energy markets that still continue to hold influence. In fact, there is some talk that a short term peak could already be in place. However, this morning's support is thought to be a function of some 'new' weather premiums influenced by S. America developments where there are concerns of some dryness developing in Argentina growing regions as well as general uncertainty in Brazil where some areas could use a little drying out. Weekly export sales are on pace with the 5-year average coming in at 87.3% compared to 87.2%, respectively.

US corn futures opened mixed this morning. Support for the US corn trade has developed on news of a reported short covering trend, where managed money (the funds) have exited 26,000+ short positions last week, a relatively large move. There is not much in the way of fundamental news to keep the positive momentum in the mid-term, but there is talk of some developing uncertainties which may add some volatility on a day to day basis. For example, there is talk Russia will limit corn exports from the country in an effort to deal with rising pork prices and rumors Chinese officials will let market forces determine the price of Chinese state corn. US export sales are 13.6% lower than the 5-year average pace.

US Slaughter	
2.124 mil.	Last Week
2.110 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$56.50
National	\$59.68
Iowa/S. MN.	\$56.60
Signature 3	\$146.55
Hylife	\$149.60
Thunder Creek	\$146.49
Sig 3 4-Month Fwd.	\$174.91
BoC Rate (Noon) prev. day \$1.4151 CAD / \$0.7067 USD	
Cash Prices Week Ending January 23, 2016	
Signature 3	144.72/65.64
h@ms Cash	143.22/64.96
Hylife	149.91/68.00
Thunder Creek	138.40/62.78
ISO Weans	\$62.20 US Avg.
Feeder Pigs	\$71.30 US Avg.
#1 Export Sows (Tagged) \$34.50/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		154.09	153.70 161.50	163.46 171.17	174.11 192.32	193.62 200.12	191.21 200.77	180.18 195.75	166.55 173.04	164.97 166.26	142.76 160.25	144.70 151.18
Soymeal Wpg Delivered	439	439	439	442	442	446						
Corn	Local delivered price available on request											

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STRENGTH IN NUMBERS

