



# Hog Margin Outlook

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Monday, February 01, 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 are expected to trade firm this week, with profitable operating margins allowing packers to continue the trend of higher cash bids for live supplies. Last week's slaughter was estimated by the USDA at 2.328 million hogs, more than 4% larger than year ago levels, but down close to 100,000 from one month ago. The cash market rally over the last month was impressive relative to the last 5 years. Cash prices have appreciated 22% over the month of January, whereas the normal seasonal trend is for them to gain about 10% in value. The strength over the month of January suggests that the larger than average premium that the futures have held to the cash market was warranted, in spite of the abundant supplies. Lean Hog futures are expected to see some bearish influence from the cattle markets this morning, after the USDA reported the annual US Cattle Inventory up 3.2% from year ago levels. While most trade participants expected growth, the magnitude of the change was larger than most had anticipated.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading lower to start the week. Yield concerns in Argentina are starting to subside as there are thought the majority of the crop is past becoming damaged from recent dry spells. As well, the market is expecting export demand for US meal to stall somewhat as Argentina becomes more active in the global trade and exacerbated by rumors that Chinese livestock producers will shift feed demand to corn if the price of corn drops as expected in the region. Pressure has also developed from 'the trading floor' where it is reported the large funds exited over 38,000 short positions last week.

**US corn futures opened lower this morning.** As with beans, US corn futures are trading lower. This action follows short term news of the South African drought and Russian export bans (meaning some underlying support in the short term is expected). However, the pressure could be sustained somewhat as China starts to price corn in a more market oriented approach. While there are rumors the state stocks of Chinese corn are high (so the price could fall, initially), there is still some suspicion regarding exactly how large reserves are creating a tone of uncertainty in the mid-term. Also like beans, traders exited a relatively large 87,000+ short positions last week.

US Slaughter	
2.172 mil.	Last Week
2.123 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$60.51
National	\$62.67
Iowa/S. MN.	\$60.49
Signature 3	\$156.17
Hylife	\$155.23
Thunder Creek	\$155.77
Sig 3 4-Month Fwd.	\$179.47
<b>BoC Rate (Noon) prev. day</b> \$1.4080 CAD / \$0.7102 USD	
Cash Prices Week Ending January 30, 2016	
Signature 3	151.19/68.58
h@ms Cash	149.69/67.90
Hylife	152.55/69.20
Thunder Creek	145.50/66.00
ISO Weans	\$64.58 US Avg.
Feeder Pigs	\$72.82 US Avg.
#1 Export Sows (Tagged) \$38.00/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		155.70 163.41	165.34 173.08	176.30 194.30	195.58 202.01	192.94 202.66	181.26 196.67	164.96 172.02	164.29 165.58	141.91 159.24	143.83 150.25
Soymeal Wpg Delivered	434	434	438	438	442						
Corn	Local delivered price available on request										

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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