

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 02, 2016

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

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Hog Prices: ↓ Soymeal: ↑

Corn: ↓ CDN Dollar: ↑

Forward contract prices opened lower this morning. US cash markets gained strength in trade yesterday, adding more than \$1.00/cwt to the Midwestern reporting regions. The higher move in cash bids, combined with weakness in the loin and rib primal cuts, led to a narrowing of packer operating margins. The latest Cold Storage report indicated supplies of these two cuts to be heavy, showing a 22% increase in loins and a 55% increase in rib inventory compared to year ago levels. Packers are still profitable at current prices, but they may consider dropping mid-week cash bids as a Midwestern snow storm could impact deliveries on Wednesday and Thursday. Lean hog futures are starting the day lower with all offered contracts losing ground on yesterday's close. The market may be soon seeing some bearish influence from the cash market after most contract months posted their highest trading levels since mid-October. A weaker Canadian Dollar is helping to cushion the effect of lower lean hog futures on forward contract prices; the Canadian Dollar dropped more than 70 basis points this morning following a 5% drop in crude oil prices in the early morning trade.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower. Factors pressuring the trade include increased Argentine selling, increasing harvest activity in Brazil and some weak economic data from China showing a relatively low PMI index (Purchasing Managers' Index, a measure of economic health in the respective country's manufacturing sector). There are thoughts that northern Argentina and southern Brazil are a bit on the dry side but this news has yet to prove to be supportive in any substantial way. New fundamental data comes out next Tuesday when the February WASDE report will be released.

US corn futures opened lower this morning. Pressure in the corn market stems from factors including weakness in energy prices, the persistently high USD, uncertainty regarding the impact of 'market priced' Chinese corn (not to mention relatively weak economic data) and evidence suggesting Argentina has sold in excess of 11 MMT of corn on world markets. Corn sales from Argentina are expected to be more concentrated than that of soybeans because export taxes have been eliminated from corn while soybeans saw only reduced rates for the tax. There is talk that only a major weather event in the US could provide meaningful support at this juncture. However, analysts are already preparing for the switch from El Nino to La Nina, where the weather typically turns more challenging in US growing areas following the switch.

US Slaughter	
439,000	Monday
388,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$61.50
National	\$66.40
Iowa/S. MN.	\$61.75
Signature 3	\$157.89
Hylife	\$157.11
Thunder Creek	\$158.18
Sig 3 4-Month Fwd.	\$178.13
BoC Rate (Noon) prev. day \$1.4006 CAD / \$0.7140 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) \$46.00/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		153.85 161.58	163.52 171.11	175.49 193.52	194.80 201.24	192.04 201.89	180.28 195.72	165.22 171.65	163.82 165.10	141.36 158.72	143.29 149.72
Soymeal Wpg Delivered	436	439	443	443	446	446					
Corn	Local delivered price available on request										

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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