



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, February 16, 2016

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

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

US Slaughter	
2.281 mil.	Last Week
2.226 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$63.58
National	\$66.53
Iowa/S. MN.	\$63.61
Signature 3	\$161.24
Hylife	\$163.12
Thunder Creek	\$160.95
Sig 3 4-Month Fwd.	\$180.54
BoC Rate (Noon) prev. day \$1.3835 CAD / \$0.7228 USD	
Cash Prices Week Ending February 13, 2016	
Signature 3	160.08/72.61
h@ms Cash	158.58/71.93
Hylife	161.49/73.25
Thunder Creek	157.10/71.26
ISO Weans	\$62.26 US Avg.
Feeder Pigs	\$74.48 US Avg.
#1 Export Sows (Tagged) \$51.50/cwt (+500lbs.)	

Forward contract prices opened mixed this morning. US cash markets are expected to trade near steady to start this week, with the normal seasonal trend being higher at this time of year. Last week's US slaughter was estimated at 2.28 million hogs or about 2.5% larger than one year ago. Hog supplies have been trending slightly higher than the USDA projection of 1.6% larger than year ago, but are not so large as to disrupt the price appreciation that is typical over this timeframe. From a broader perspective, total US red meat and poultry production is up approximately 3% over year ago levels, only adding to the supply based pricing pressure. Currently, forward contract prices have a \$25/ckg premium built into the summer timeframe, which is in line with the 5 year average cash trend (excluding the PEDV impacted 2014). The focus of producer hedging activity should be on the 4th Quarter so as to protect against the price implications of US hog supplies exceeding processing capacity.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher to start this holiday shortened week. As in Canada, Monday, February 15 was a holiday in the US that interrupted trade. The support this morning comes largely from what is being described as 'outside psychological forces' as well as strength in equities and energy where OPEC nations have agreed to production freezes at January levels. In any event, the fundamentals are bearish with new crop forecasts for the US starting to come out; for example, trend line yields and an increase in acreage could result in 2016/17 ending stocks coming in as high as 686 million bu. South American harvest is underway and is so far expected to come in near or above record highs.

US corn futures opened higher this morning. Talk that grains are following some strength in energy and equities markets are being cited as a factors in the US corn trade support this morning. As well there is some support coming from some logistics factors in Brazil as well as news that the second (Safrinha) crop planting is below last year's pace by 16%. Unlike beans, US corn could see some support next year; there are thoughts that a 500,000 acre increase in planting, assuming trend line yields, could see 2016/17 ending stocks come in slightly lower than this year's carryout, but that a 5% decrease in yield would result in the third lowest carryout in 43 years. Meagre demand and a high USD are keeping any sustained upside in check for now.

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		156.75 160.57	162.48 170.08	174.99 190.27	191.54 197.90	188.64 198.54	176.80 192.07	164.20 170.56	162.20 163.47	139.22 156.32	141.12 147.45
Soymeal Wpg Delivered	425	431	431	435	434	434					
Corn	Local delivered price available on request										

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HWY #6 AND RD 236

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