



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 17, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened lower this morning. US cash markets traded mostly lower yesterday indicating packers may attempt to pad their operating margins in the short term amid ample supplies. Yesterday's slaughter was estimated at 439,000 hogs; combined with slaughter commitments, the weekly kill is on pace to surpass year ago levels greater than 3%, exceeding the latest USDA forecast. Should packer bids see a decline this week, it would mark the first weekly decline in 2016, and may represent a change in the trend. Lean hog futures have been in a holding pattern for the last month, with most contracts staying within a \$2.00/cwt trading range. From a fundamental perspective, heavy supplies of pork, chicken and beef are keeping a cap on gains, while solid US domestic demand and encouraging trends in pork exports are preventing prices from decreasing. Producers that have yet to take protection on some of their summer and fall production should consider pricing as much as half of their intended marketings, ensuring profitable margins for 2016.

Canadian delivered soymeal prices opened lower this morning. For the second session this week, US soybean futures are trading higher. So far, this development is a function of reported port delays in Brazil and some technical manoeuvring as traders cover short positions. Some extra support comes from US export numbers that were reported to be above trade expectations; 1.76 MMT compared to the expected range of 1.0 – 1.2 MMT. However, the longer term is still bearish and even short term indicators are keeping the upside in check. For example, Chinese imports of beans were down 17.7% relative to last year and S. American harvest has not been disrupted by weather and also is looking favourable further out.

US corn futures opened higher this morning. Like beans, US corn futures continue to trade higher this week. Rumors are that short covering is taking place ahead of an expected Chinese announcement regarding the sale of state reserves amid an oversold position that is setting the US corn trade for some upward momentum in the short term. As well, strength in energy is providing a boost to corn, a crop that is closely tied to energy values. S. American harvest pace is expected to rein in any sustained support, but there is an underlying message of caution ahead that is being repeated, suggesting that a 5% reduction in US yield could result in the 3rd tightest carryout in over 40 years.

US Slaughter	
439,000	Tuesday
402,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$63.45
National	\$66.76
Iowa/S. MN.	\$63.59
Signature 3	\$161.20
Hylife	\$162.55
Thunder Creek	\$161.19
Sig 3 4-Month Fwd.	\$178.51
BoC Rate (Noon) prev. day \$1.3860 CAD / \$0.7215 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) \$49.50/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		155.00 158.78	160.67 168.25	172.91 188.03	189.29 195.59	186.69 196.22	174.67 189.79	161.75 168.68	161.12 162.80	139.31 156.36	141.21 147.52
Soymeal Wpg Delivered	420	423	425	425	429	429					
Corn	Local delivered price available on request										

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HWY #6 AND RD 236

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