

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, March 24, 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 were flat in trade yesterday, resulting in further erosion to packer bids this week. Producers appear to be current with their hog marketings, as carcass weights averaged ½ pound lower than the previous week in the Iowa/S. Minn. region, and about 1 pound lighter than year ago levels. The focus of today's trade will be positioning ahead of tomorrow's USDA Hogs and Pigs report, as there will be no trading tomorrow due to Good Friday. Several analysts suggest that hog numbers will remain tight for the next two months, but will increase to above year ago levels by July. Tomorrow's USDA report is unlikely to provide a reliable forecast of hog supplies in the Sep-Dec timeframe, but the 'Breeding Herd', 'Pigs per Litter' and 'Farrowing Intentions' categories will be important indicators that will likely have market implications. Producers should look at covering 50% of their Sep-Dec production at current prices in order to secure profitable operating margins.

Canadian delivered soymeal prices opened higher this morning. News that Chinese buyers have cancelled Brazilian orders is offering support to end the holiday-shortened week. There are rumors that the cancellations could be a function of port delays and phytosanitary concerns (Zika virus has been cited) which would be supportive, but there is also talk the Chinese may be turning away from importing as a strategic move which would likely pressure the trade further out. In the meantime, 2016/17 outlooks are starting to hit the ag press, the latest of which showing last year's acreage and trend line yields could result in 629 million bu. (a new record) compared to this year's 460 million bu. estimate. Of course, the weather, actual acreage and actual yield will determine the final result.

US corn futures opened lower this morning. Anticipation of next week's Prospective Plantings report will be the most accurate forward looking document to date for the 2016/17 season and the market is eagerly awaiting the estimates. Currently, there is a bearish tone in anticipation of high acres in the planting report, but also on a good S. American harvest and rumors that the Chinese government will finally start to release massive state reserves. There has been a ban on ethanol production for almost a decade in China, but public pressure to combat pollution has ushered in a policy shift meaning that ethanol (and feed) processors could be the beneficiaries of some cheap and old corn. Markets will be closed tomorrow for Good Friday, resuming business on Monday.

US Slaughter	
438,000	Wednesday
435,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$61.76
National	\$66.71
Iowa/S. MN.	\$61.77
Signature 3	\$149.47
Hylife	\$153.24
Thunder Creek	\$149.16
Sig 3 4-Month Fwd.	\$183.86
BoC Rate (Noon) prev. day \$1.3203 CAD / \$0.7574 USD	
Cash Prices Week Ending March 19, 2016	
Signature 3	152.69/69.26
h@ms Cash	151.19/68.58
Hylife	157.14/71.28
Thunder Creek	155.30/70.44
ISO Weans	\$42.66 US Avg.
Feeder Pigs	\$79.01 US Avg.
#1 Export Sows (Tagged) n/a (+500lbs.)	

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		158.92 161.36	173.94 188.55	189.77 195.85	186.11 196.46	174.07 188.67	160.57 167.26	159.87 161.09	135.32 151.73	137.14 143.22
Soymeal Wpg Delivered	414	416	416	419	419	420				
Corn	Local delivered price available on request									

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STRENGTH IN NUMBERS

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The h@ms Marketing Forward Contracting department will be closed Friday, March 25.

US Markets will be closed; the Hog Margin Outlook and opening price reports will likewise not be distributed on Friday.

Business resumes on Monday, March 28.

