

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, March 31, 2016

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

**Forward contract prices opened lower this morning.** US cash markets moved slightly higher in yesterday's trade, but are maintaining the steady trend that they have been in for the last two months. Packers are making up for a short kill on Monday, as several took a floating holiday, resulting in hog slaughter being 100,000 hogs smaller week-to-date when compared to last week. Wholesale pork prices strengthened by more than \$1.00/cwt yesterday, with the pork cut-out value approaching its highest level of 2016. Lean Hog futures traded sharply lower yesterday with the summer month contracts losing more than \$2.00/cwt at one point. The large premium that these contracts have held to the cash market contributed to yesterday's losses, as traders have become more skeptical that cash prices will be able to rally \$17/cwt over the next 10 weeks. A normal cash price increase over this time frame is close to \$10/cwt, which makes the summer month futures good value at current prices. However, producer focus should still reside on the Sep-Dec timeframe when production is expected to peak this year.

**Canadian delivered soymeal prices opened lower this morning.** The Prospective Plantings and Quarterly Grain Stocks reports will both be released at noon (Central) today. At right are the current industry estimates. Typically, these reports have the potential to move the market. However, some analysts note the moves only take place under certain circumstances: 1) when stocks are low, and 2) when USDA numbers vary greatly from the pre-report estimates. Currently, variations are expected, but stocks are relatively high so the degree to which that variation occurs will likely have the greatest influence over price moves, if any.

**US corn futures opened lower this morning.** Like US soybeans, the US corn trade is expected to trade with lighter volumes until the release of the two USDA reports today. Traders are anxious to see what the USDA has proposed for current stocks and potential acreages and hopefully provide some direction as US corn in particular has been trading in a choppy pattern. Whatever the result, some market uncertainty has been lifted; China has revealed plans to cease stockpiling state reserves and move in a more market oriented approach, as well as to subsidize domestic producers less; Chinese corn prices have subsequently hit a six year low even though the policy will not take effect until October.

Analysts' Estimates of Grain Stocks and Prospective Plantings Reports

		Range	Avg.
Soy	Acreage	81.6 - 84.2	83.057
	Stocks (bn. bu.)	1.425 - 1.615	1.556
Corn	Acreage	89.0 - 91.0	88.972
	Stocks (bn. bu.)	7.7 - 7.975	7.801

Source: DLR, USDA

US Slaughter	
436,000	Wednesday
436,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$63.19
National	\$66.27
Iowa/S. MN.	\$63.26
Signature 3	\$150.14
Hylife	\$153.42
Thunder Creek	\$149.97
Sig 3 4-Month Fwd.	\$178.38
<b>BoC Rate (Noon) prev. day</b> \$1.2962 CAD / \$0.7715 USD	
Cash Prices Week Ending March 26, 2016	
Signature 3	148.22/67.23
h@ms Cash	146.72/66.55
Hylife	153.44/69.60
Thunder Creek	151.00/68.49
ISO Weans	\$40.65 US Avg.
Feeder Pigs	\$83.26 US Avg.
#1 Export Sows (Tagged) \$30.00/cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig. #3			165.34 179.49	180.67 186.57	178.88 187.16	169.15 183.29	155.00 161.48	154.27 155.45	131.61 147.51	133.38 139.27	135.03 143.34
Soymeal Wpg Delivered	400	402	402	406	405	407	408	409	412	412	
Corn	Local delivered price available on request										

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