



# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 10, 2016

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

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

US Slaughter	
422,000	Monday
410,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$72.82
National	\$74.75
Iowa/S. MN.	\$72.90
Signature 3	\$173.44
HyLife	\$170.00
Thunder Creek	\$173.24
Sig 3 4-Month Fwd.	\$ 175.35
<b>BoC Rate (Noon) prev. day</b> \$1.2994 CAD / \$0.7696 USD	
Cash Prices Week Ending May 7, 2016	
Signature 3	166.46/75.51
h@ms Cash	164.96/74.83
HyLife	163.68/74.24
Thunder Creek	158.60/71.94
ISO Weans	\$37.93 US Avg.
Feeder Pigs	\$70.64 US Avg.
#1 Export Sows (+500lbs.)	\$45.00/cwt. (Tagged)

**Forward contract prices opened mixed this morning.** US cash markets were steady in trade to start this week with packers balancing the normal and seasonal factors of improving demand for fresh pork against abundant supplies. Packers are cautious in their buying program now, when they typically are more aggressive at this time, as several of the wholesale cuts are not seeing a supportive trend. Pork bellies have declined \$30/cwt over the last two months while gains in loins and hams have been sluggish. Lean hog futures traders are still anticipating a rally over the next 4 weeks of approximately \$6.00/cwt, but the market has been hesitant to factor in gains beyond this level over the summer months amid uncertain demand. Given the recent trend of pork production running 3% - 5% higher than year ago levels, domestic and export demand would need to improve beyond year ago levels in order to match last year's summer and fall prices. A good hedging opportunity exists in the Nov - Dec timeframe, as current forward contract prices are running \$10 - \$20/kg higher than last year's cash market, the same time when supply is expected to be at its largest for the year.

**Canadian delivered soymeal prices opened higher this morning.**

All eyes will be on today's WASDE report which will be released mid trade at noon, Central time. Even though old crop ending stocks are expected to come in lower than the March estimate, it will still be the second highest going back to 2010 if the current 426 million bu. estimate is realized. May is the first time the official WASDE numbers for new crop are released. There is a relatively wide range showing 290 million at the low end and 500 million bu. at the upper end. Anything above 400 million bu. will likely have a pressuring impact further out, despite current Argentine loss estimates and assuming normal weather patterns.

**US corn futures opened higher this morning.**

The general consensus is for a large 2016/17 US crop, although a relatively wide 700 million bu. new crop ending stock range is adding to some uncertainty. At the low end, a 1.8 billion bu. ending stock would be 200 million higher than the average going back to 2010, but a 2.6 billion ending stocks number would be the highest on record. Other factors could weigh in soon as well; China is expected to release details on their state stock liquidation program soon (rumored to sell 10MMT directly to end users) and it is currently thought they will plant 3.3 million acres less this season, representing the first Chinese drop in planted acres in 13 years.

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #3		182.13 186.88	184.60 189.35	171.76 186.02	158.46 164.99	157.78 158.97	135.10 151.13	136.88 142.82	138.98 147.30	149.67 150.86	150.34
Soymeal Wpg Delivered	508	508	508	506	503	498	499	499			
Corn	Local delivered price available on request										

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HWY #6 AND RD 236

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