



Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, May 17, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened mixed this morning. US cash markets moved higher in early week trade with packers willing to give up what they gained in wholesale pork prices. The pork cut-out firmed to match the recent high of \$83.73/cwt (put in two weeks ago), but the trend is still relatively flat at a time when we typically rely on and see some support. With the US Memorial Day weekend two weeks away, the price of grilling cuts like ribs and loins should make a big contribution to the pork cut-out, but other primal cuts destined for further processing like hams and bellies are weak and could negate any gains. With the added year-over-year production of not only pork (+2%), but also beef (+6%) and chicken (+1%), the market will struggle to make gains unless a surge in exports develop. Winter month forward contract prices are still holding near their recent highs at average prices better than \$140/ckg, which represents good value at a time when production is expected to be record large.

Canadian delivered soymeal prices opened higher this morning. US soybean futures have once again turned higher, supporting the early notion the market will be volatile in the short to mid terms. Weather uncertainty and a port strike in Argentina (potentially disrupting global supply pipelines) are at prime factors for the current support, not to mention production reductions coming out of Argentina due to flooding adding to the uncertainty. US crop progress shows the crop is 36% complete coming in 2% lower than expectations, but 4% higher than the 5-year average. All told, Canadian spot prices are ~\$8 CAD/MT higher than yesterday when factoring the recent support and a lower Canadian dollar this morning.

US corn futures opened higher this morning. US corn futures are likewise trading higher, continuing the turnaround that began to develop mid-trade yesterday. Supportive factors include uncertainty regarding Brazilian losses that are anything but conclusive at this point, and a new-crop weather premium that is being built into the deferred contracts. Some adverse weather in the US has prompted some talk that corn acres could be switched to soybeans, but the final tally remains to be seen. In the meantime, crop progress, while slowing in some regions due to weather related delays, came in at 75% complete compared to a 76% expectation, but higher than the 70% 5-year average.

US Slaughter	
434,000	Monday
423,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$75.45
National	\$76.60
Iowa/S. MN.	\$76.89
Signature 3	\$180.59
HyLife	\$174.46
Thunder Creek	\$181.22
Sig 3 4-Month Fwd.	\$ 176.45
BoC Rate (Noon) prev. day \$1.2887 CAD / \$0.7760 USD	
Cash Prices Week Ending May 14, 2016	
Signature 3	174.21/79.02
h@ms Cash	172.71/78.34
HyLife	171.71/77.89
Thunder Creek	168.50/76.43
ISO Weans	\$36.40 US Avg.
Feeder Pigs	\$65.34 US Avg.
#1 Export Sows (+500lbs.)	\$51.00/cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #3		189.47 191.25	185.49 192.60	174.72 188.93	159.25 165.77	158.60 159.78	135.95 151.93	137.72 143.64	138.23 146.50	148.86 150.04	149.49 149.49
Soymeal Wpg Delivered	566	569	544	540	537	536	534	534			
Corn	Local delivered price available on request										

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