



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 20, 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 are finishing the week lower as packers are unwilling to add money to their cash bids while wholesale pork prices are under pressure. May and June are typically the strongest months for pork prices as the combination of tighter live hog supplies and greater demand for grilling cuts normally leaves prices in a decisively bullish trend. However, this year's ample supplies combined with lower trending values on primal cuts destined for further processing have combined to erase the normal seasonal influence. Industry participants have been hoping for a spike in export sales to help clear the market, but recent weekly pork export volumes do not look promising. As a result, summer month lean hog futures have dropped nearly 5% over the last week as traders have grown skeptical of a strong spring rally. However, winter month contracts have not experienced the same weakness and futures values are only down \$1.50/cwt from contract highs. Given the bearish supply fundamentals, current Nov-Feb forward contract prices represent a good hedging opportunity, and prices that are still profitable for most Western Canadian producers.

Canadian delivered soymeal prices opened higher this morning. A strong US dollar has been cited as rationale, in part, for recently weak commodity performances as US competitiveness wanes with a stronger USD. As well, there was also talk of profit taking adding to the pressure; recall that the soybean complex saw considerable gains following the release of the WASDE report on the 10th and there has been chatter the rally was overdone. The trade will likely remain volatile until better supply estimates can be secured. Support this morning is a function, in part, of the market's concern with Argentine losses as well as quality issues; Argentina is the largest meal exporter in the world.

US corn futures opened higher this morning. As with beans, the higher US dollar, some profit taking, and lower energy prices pressured the US corn trade yesterday. Also like beans, the trade has turned around this morning, reflecting uncertainty in the market, especially as related to Brazil supplies and feed stocks, resulting in the current volatility. With crop progress expected to be above 80% in next week's USDA report, the market is anticipating US weather to weigh more heavily on the trade soon. As well, traders are anxiously waiting to see how many US acres actually become shifted to beans following challenging weather in some growing areas that slowed fieldwork to a halt.

US Slaughter	
396,000	Thursday
425,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$75.85
National	\$78.40
Iowa/S. MN.	\$75.90
Signature 3	\$182.36
HyLife	\$178.38
Thunder Creek	\$182.07
Sig 3 4-Month Fwd.	\$ 172.84
BoC Rate (Noon) prev. day \$1.3116 CAD / \$0.7624 USD	
Cash Prices Week Ending May 21, 2016	
Signature 3	180.94/82.07
h@ms Cash	179.44/81.39
HyLife	176.11/79.88
Thunder Creek	175.70/79.70
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		185.34 187.15	180.74 187.97	170.54 185.00	156.68 163.31	156.16 157.36	134.33 150.61	136.14 142.17	137.47 145.86	148.26 149.46	149.58 149.58
Soymeal Wpg Delivered	604	598	584	572	563	553	548	548			
Corn	Local delivered price available on request										

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HWY #6 AND RD 236

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