



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, June 10, 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 have come under pressure late this week as hog numbers are ample and meeting packer production schedules. Yesterday, wholesale pork prices dropped more than \$1.00/cwt, taking back a portion of the gains experienced earlier in the week. At a time when hog supplies should be approaching their tightest level for the year, the cash market trend is still seeing more instability than is typical. Summer month Lean Hog futures have built in a premium to the cash market of \$6.00/cwt, which is roughly double what is typical for this time of year. The market has seen influence from the run up in pork prices in China and has factored in a bullish influence on North American markets. However, recent, positive export sales volumes to China do not suggest that the development will be a 'game changer' in our markets, especially when the other top export destinations are struggling to match year ago levels. Producers should consider the recent rally as an excellent pricing opportunity and should cover up to 50% of their 2nd half of 2016 production at current prices.

Canadian delivered soymeal prices opened higher this morning. Light trading volumes are expected ahead of today's WASDE report, and as always, there is an expectation of relative volatility following the release as traders reposition themselves after new information is publicized. Demand numbers for the old crop will be closely watched as a lowered carryout will mean a lower starting point for calculating new crop ending stocks currently estimated at ~385 million bushels. By way of comparison, old crop ending stocks were 400 million bu in the May report. New crop ending stocks could come in between ~250-289 million bu. from the 305 million bu. estimate last month. Following the report, the market is expected to be heavily influenced by US weather developments.

US corn futures opened higher this morning. Like beans, the US corn futures markets are trading higher amid lower volumes. Already, however, the focus appears to be more weather oriented than what one might expect when a major USDA report is about to be released. For now, most commenters are shrugging off the idea of learning any substantial new information, unless of course, the WASDE report authors publish some surprises. Private estimates suggest old crop ending stocks to come in lower by 381 million bu. to 1.772 billion bu.; new crop estimates are also pegged lower, but still estimated at 2.125 billion, albeit assuming constant demand and a normal weather pattern.

US Slaughter	
397,000	Thursday
421,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$78.74
National	\$79.86
Iowa/S. MN.	\$78.82
Signature 3	\$183.75
HyLife	\$178.43
Thunder Creek	\$183.52
Sig 3 4-Month Fwd.	\$ 174.14
BoC Rate (Noon) prev. day \$1.2731 CAD / \$0.7855 USD	
Cash Prices Week Ending June 11, 2016	
Signature 3	183.19/83.09
h@ms Cash	181.69/82.41
HyLife	n/a
Thunder Creek	179.70/81.51
ISO Weans	\$24.52 US Avg.
Feeder Pigs	\$62.63 US Avg.
#1 Export Sows (+500lbs.)	\$42.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		188.84 195.84	181.61 195.60	161.49 167.90	160.70 161.86	137.29 153.01	139.04 144.86	140.32 148.47	150.79 151.96	150.91 150.91	151.49
Soymeal Wpg Delivered	622	608	600	597	592	590	590				
Corn	Local delivered price available on request										

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