



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, August 12, 2016

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

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

Forward contract prices opened lower this morning. US cash markets broke with the lower trend yesterday and gained back about \$0.50/cwt in most regions even as hog supplies remained abundant and slaughter is expected to exceed last year's numbers by nearly 3%. In addition, the gains were made even as pork product values collapsed to within \$0.50/cwt of their lowest level experienced so far this year. Pork bellies dropped more than 10% of their value as traders are factoring in the prospect of ample supplies in the coming months into the value of current inventory. Lean hog futures are holding their value to the cash market, albeit at heavily discounted levels. Fall month futures suggest that cash prices will fall approximately 13% over the next 2 months and nearly 20% over the next 4 months from current levels. This decline is consistent with historic seasonality, however our cash market 'starting point' is significantly lower than normal for this time of year. Over the next week, producers looking to add price protection to the fall and winter timeframe should view any rallies of \$2.00/kg or more as good pricing opportunities.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower in what could be some pre-WASDE report positioning because most other indicators suggest the trade should be exhibiting signs of a recovery. There is talk that demand numbers are being severely understated by market participants currently; export sales have been described as 'massive' and 'enormous', and normally, this should be enough to spark the bean trade higher. However, very large supplies could be on the way and there are some thoughts the supply and demand sides could balance out. Pre-report ending stocks estimates, however, fall within a range of 268 and 403 million bu. which is considered wide for this particular report, adding some uncertainty; last month came in at 290 million bu.

US corn futures opened lower this morning. Like beans, US corn traders will be looking to today's WASDE report for some direction, but the corn trade is much more bearish than beans. Supplies are expected to be large and while export numbers are expected to ramp up, new crop sales are off to a slower than average pace. Ending stocks estimates are currently ranging between 1.967 and 2.653 billion bushels which is considered quite large; the average estimate is 2.225 billion bu. To put that into perspective, the highest August ending stock estimate going back the last six years was 1.837 billion bu. in 2013. On the other hand, there is talk that only a massive supply estimate will be able to push the market markedly lower.

US Slaughter	
434,000	Thursday
429,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$62.73
National	\$68.94
Iowa/S. MN.	\$62.88
Signature 3	\$149.56
HyLife	\$158.47
TCP/Britco	\$149.58
Sig 3 4-Month Fwd.	\$122.22
BoC Rate (Noon) prev. day \$1.3007 CAD / \$0.7688 USD	
Cash Prices Week Ending August 13, 2016	
Signature 3	150.85/68.43
h@ms Cash	149.35/67.74
HyLife	n/a
TCP/Britco	156.90/71.17
ISO Weans	\$18.56 US Avg.
Feeder Pigs	\$32.80 US Avg.
#1 Export Sows (+500lbs.) \$47.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		130.80 131.40	130.04 131.23	109.37 125.37	111.15 117.07	115.44 123.73	126.10 127.29	132.85 132.85	133.45 144.91	153.61 164.29	160.73
Soymeal Wpg Delivered	476	476	473	470	470	465					
Corn	Local delivered price available on request										

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