



# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 17, 2016

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

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Hog Prices: ↓ ↑ Soymeal: ↔

Corn: ↑ CDN Dollar: ↑

**Forward contract prices opened mixed this morning.** US cash markets are mixed once again; ISM and WCB regions are lower while the National reporting region is higher, a reversal from the previous couple days. The pork cut-out turned \$2.28 lower yesterday, underscored by a \$14.86 USD/cwt. turn lower in belly values (bellies were higher by over \$7 a day earlier). The choppiness in the cut-out has been attributed to thoughts that pork production will increase as temperatures seasonally cool down. The lean hog futures 'rally' Monday was short-lived, giving back almost all of Monday's gains in yesterday's trade. There is talk the futures markets, trading at lows not seen in years, is poised for a recovery that was perhaps edged on Monday by the news coming out of Russia regarding swine fever. As well, forward contract values in CAD are also at their lowest levels on average and the forwards typically experience a modest turn higher about this time of year, regardless of initial value. There is a lot of pork to clear the market and all red meat and poultry is expected to come in higher than 2015 levels by 3.1% in 2016. A turn higher, if one develops, may be 'flatter' than in other years due to the high volumes of meat expected in the marketplace, and it may also take longer than normal for one to materialize.

**Canadian delivered soymeal prices opened even this morning.** Strong demand for US beans and a rally in palm oil is helping to support the market this morning. There has been some flooding in the Delta which could limit production from the region, but cooler temperatures are forecast two weeks out in other critical growing areas and would be beneficial for further crop development. There is already talk that ideal weather could push the national average yield up to 49.5 bpa (a new record) and ending stocks to 378 million bu. compared to the 330 million bu. estimate currently. However, strong demand is keeping the downside in check.

**US corn futures opened higher this morning.** US corn futures are coming off the lows and showing a bit of strength this morning. The ability for US corn to mount a sustained recovery remains to be seen, but there is already talk that an adjustment in yield estimates down to 173 bpa (from the current USDA estimate of 175.1 bpa) could be more realistic. All else equal, that would bring ending stocks down 176 million bu. and would normally be supportive. However, ending stocks would still come in at 2.233 billion bu., an extremely large number not recalled in recent memory.

US Slaughter	
433,000	Tuesday
418,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$63.90
National	\$68.23
Iowa/S. MN.	\$63.92
Signature 3	\$150.65
HyLife	\$155.17
TCP/Britco	\$150.36
Sig 3 4-Month Fwd.	\$123.07
<b>BoC Rate (Noon) prev. day</b> \$1.2862 CAD / \$0.7775 USD	
Cash Prices Week Ending August 13, 2016	
Signature 3	150.85/68.43
h@ms Cash	149.35/67.74
HyLife	160.33/72.73
TCP/Britco	156.90/71.17
ISO Weans	\$20.72 US Avg.
Feeder Pigs	\$29.70 US Avg.
#1 Export Sows (+500lbs.) \$52.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3			132.53 133.71	112.34 128.28	114.11 120.01	117.71 125.98	130.70 131.88	134.08 135.26	138.21 149.91	153.13 166.06	162.54 170.17
Soymeal Wpg Delivered	481	481	477	474	474	470					
Corn	Local delivered price available on request										

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HWY #6 AND RD 236

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