



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 18, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened higher this morning. US cash markets are higher than the previous session, supported by thoughts that a smaller slaughter pace is soon to be expected, and noting that average weights are down to 274.6 lbs., the lowest since September 2013. This week, the market witnesses a drop in pork prices that is being described as a 'collapse', but there are now thoughts that pork prices are stabilizing (albeit with a bearish bias). Slaughter levels are currently paced lower than last week, but still higher than last year. Lean hog futures continue to trade in a mixed and choppy pattern after a brief turn upward earlier this week. There is talk that the pressure that followed the rally is due to the large fund selling rumored to be linked to perceived pressure on wholesale prices further out. This suggests that the likelihood of a turnaround is unlikely ahead of large protein availability and current demand. As well, demand for summer meats is swiftly coming to an end (those orders were likely filled a while back), but autumn demand expectations could play a supportive role.

Canadian delivered soymeal prices lower even this morning. US soybean futures are trading lower and while there are expectations for a relative amount of volatility as harvest approaches, the expectation is for some pressure to remain on the market. Recall that low prices following US harvest in 2015 continued well into the winter due to Argentina releasing stocks amid a low peso. Fast forward to 2016 Argentine harvest, where flooding and poor quality took production estimates down 6 MMT, and supported the market. Now, production increases in the US are expected to offset the global loss from Argentina, perhaps leaving enough left over to keep prices low heading into 2017, all else equal.

US corn futures opened lower this morning. Although there is talk that the market is skeptical of the USDA's yield estimate (currently at 175.1 bpa, a record), it has yet to turn substantially higher. It should be noted that the corn market did close higher for the fourth consecutive session. However, the market continues to trade amid the lows and the nearby contract is currently hovering around \$3.27 USD/bu. The Pro Farmer crop tour is expected to report on conditions next week and there is talk the reports could move the market as conditions are confirmed (or not) relative to the USDA estimates.

US Slaughter	
431,000	Wednesday
420,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$64.02
National	\$68.35
Iowa/S. MN.	\$64.08
Signature 3	\$151.20
HyLife	\$154.73
TCP/Britco	\$151.01
Sig 3 4-Month Fwd.	\$124.97
BoC Rate (Noon) prev. day \$1.2885 CAD / \$0.7761 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			134.80 135.97	114.42 130.24	116.18 122.04	119.09 127.29	131.98 133.15	135.25 136.43	139.35 152.23	154.11 167.04	163.52 171.16
Soymeal Wpg Delivered	471	471	467	465	465	461					
Corn	Local delivered price available on request										

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