

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, August 23, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
435,000	Monday
434,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$63.36
National	\$67.75
Iowa/S. MN.	\$63.36
Signature 3	\$150.31
HyLife	\$153.56
TCP/Britco	\$150.11
Sig 3 4-Month Fwd.	\$127.45
BoC Rate (Noon) prev. day \$1.2942 CAD / \$0.7727 USD	
Cash Prices Week Ending August 20, 2016	
Signature 3	150.92/68.46
h@ms Cash	149.42/67.78
HyLife	154.49/70.08
TCP/Britco	150.80/68.40
ISO Weans	\$20.76 US Avg.
Feeder Pigs	\$27.73 US Avg.
#1 Export Sows (+500lbs.) \$56.00/cwt. (Tagged)	

Forward contract prices opened mixed this morning. US cash markets traded firm yesterday, with support coming from a rally in pork product values that moved the pork cut-out higher by more than \$1.00/cwt. Broad support from all of the primal cuts is the primary factor that has supported hog prices in the last two weeks. However, the recent support is expected to be only temporary as hog numbers are expected to surge from last week's 2.29 million to over 2.4 million over the next month. Lean hog futures are being pressured this morning by technical indicators that suggest the market is overbought, as well as from the recent Cold Storage report that showed inventory grew from June to July by 2.3%, when normally, declines by about 3% are shown. While the winter month forward contracts are trading lower this morning, they are still trading at nearly \$8.00/kg higher than they were two weeks ago, representing fair value considering there are expectations for further declines in the November and December cash markets due to heavy supplies.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher mostly on good crop conditions and expectations of higher yields ahead. The Crop Progress report again showed 72% of the crop is in good/excellent condition, unchanged from last week, compared to 63% last year. As well there are thoughts that yields will ultimately be adjusted higher, perhaps even as high as 50+bpa, up from the current 48.9 bpa. However, export demand remains robust, especially from China, and if the USDA adjusts yield lower (i.e. to July's 46.7 bpa), ending stocks could fall to a very tight 120 million bu. which would bring a supportive tone back to the market.

US corn futures opened lower this morning. A bit of a surprise in US corn crop conditions has in part influenced the market lower this morning. Market participants were expecting a 1% decrease in the good/excellent category; instead, an increase of 1% brought the numbers up to 75% from 74% the week previous. Unlike beans, however, there is talk the current 175.1 bpa yield estimate is a bit too high and sustained export demand coupled with a decrease in yield expectations could support the market further out. There are reports that only ~148,000 MT of corn were sold from state reserves in China this week compared to the 1.98 MMT available.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3			136.87 138.05	116.84 132.80	118.62 124.53	121.85 130.13	134.86 136.04	137.94 139.12	142.08 154.74	157.18 170.21	166.66 174.36
Maple Leaf Sig. #5			138.48 139.29	122.80 137.06	122.68 128.19	125.52 131.45	135.65 138.91	140.65 141.82	144.31 155.21	156.03 170.84	167.46 172.54
Soymeal Wpg Del.	474	471	468	468	468	465					
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

