



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 24, 2016

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

www.hamsmarketing.ca

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

| US Slaughter | |
|---|-----------------------|
| 435,000 | Tuesday |
| 422,000 | Tuesday (year ago) |
| Daily Prices | |
| W. Corn Belt | \$63.18 |
| National | \$68.09 |
| Iowa/S. MN. | \$63.20 |
| Signature 3 | \$149.42 |
| HyLife | \$155.09 |
| TCP/Britco | \$149.13 |
| Sig 3 4-Month Fwd. | \$124.93 |
| BoC Rate (Noon) prev. day \$1.2902 CAD / \$0.7751 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 lower this morning. US cash prices were near steady in yesterday's trade with packers willing to give back what they get from the wholesale market for now. Packer operating margins are solid at around \$25/hog, and have been sustained at or above this level for several months. However, inventory is growing and the USDA Cold Storage report showed July pork stocks were up 2.3% from June at a time when they normally decline about 4%. This is a symptom of heavy supplies coming to market, increased competition from beef and chicken, and slow pork export sales. There is evidence that suggests that pork demand may have dropped in the spring timeframe, which does not provide traders with much confidence that peak hog supplies in the Nov-Dec timeframe will be handled without massive price cuts. Lean hog futures are at risk of dropping 10%, through its previous low, if downside pressure mounts in the cash market while supplies grow over the next 5 weeks.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower as crop conditions are at near record levels for this time of year along with the expectation for those conditions to factor into a large yield (barring any unforeseen weather or other event). The current average of 72% in good/excellent condition is the second highest rating on record, and pod counts from the Pro Farmer crop tour have found higher counts than the same time last year (and three year averages) in Nebraska and Indiana. A sell-off in wheat yesterday following a Statistics Canada report showing a larger than expected wheat production estimate is putting residual pressure on crops generally.

US corn futures opened higher this morning. The move higher comes despite pressure on other commodities, fundamental data that is less than supportive, but supported by thoughts that the USDA yield estimate is a bit on the high side. Most indicators suggest that corn should be trading lower; exports to China are down 97% for July including ethanol which came in at the lowest level since 2015. The expectation is for a massive crop but, this week's crop tour reporting has so far identified some issue areas, and have estimated some county and state yields lower than current USDA estimates.

| Fixed Forward Range (at opening) | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|-------------------------------------|--|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | | 134.23 135.41 | 114.44 130.43 | 116.21 122.14 | 119.20 127.48 | 132.21 133.39 | 135.28 136.46 | 139.42 151.66 | 124.80 167.79 | 164.25 171.93 |
| Maple Leaf Sig. #5 | | | 135.89 136.71 | 120.45 134.75 | 120.33 125.86 | 122.91 128.84 | 133.03 136.29 | 138.04 139.20 | 141.69 152.18 | 153.69 168.45 | 165.08 170.15 |
| Soymeal Wpg Del. | 478 | 475 | 472 | 472 | 472 | 469 | | | | | |
| Corn | Local delivered price available on request | | | | | | | | | | |

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STRENGTH IN NUMBERS

