

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, August 25, 2016

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

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

US Slaughter	
435,000	Wednesday
428,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$62.57
National	\$68.11
Iowa/S. MN.	\$62.57
Signature 3	\$148.41
HyLife	\$154.66
TCP/Britco	\$148.08
Sig 3 4-Month Fwd.	\$123.39
BoC Rate (Noon) prev. day \$1.2940 CAD / \$0.7728 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 markets were near steady in yesterday's trade even as hog supplies are already starting their seasonal growth trend. Hog numbers are expected to grow by another 5% over the next 6 weeks if they follow the normal seasonal trend. While there were ideas that producers were behind on their marketings for the month of July, hog weights suggest that they are current and average carcass weights are down about one pound from year ago levels. Trader focus in lean hog futures maybe skewed to the demand side of the equation with some pork product values causing concern. The price of pork bellies is down 50% from levels seen last year and is the primary factor in the pork cut-out running a 15% discount to year ago levels. If the wholesale pork market were to follow the same trend this year as it did last, cash prices would likely dip below the US\$50/cwt benchmark or around \$100/kg in early December. As a result, producers without protection in the winter timeframe should still consider hedging at current prices.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower, mostly on the good growing weather and reports of high pod counts that could result in some of the highest final yields on record. Daily movements in the futures values will nonetheless rise and fall based on reports and new information, but, futures values will likely remain range-bound until harvest starts. That is not to say no major activity will take place. However, current information suggests that a very large crop could be on the way. For now, a robust export pace and production expectations that are increasingly being honed (and subsequently built in) are limiting the downside for now.

US corn futures opened lower this morning. Like beans, corn fundamental outlooks are generally positive. The Pro Farmer crop tour did report that some yields so far have come in less than USDA expectations in some states, but there is talk that the tour has moved into some higher yielding areas. In the absence of any official USDA news, the crop tour could hold a bit more influence. The next WASDE report isn't released for another two weeks. In the meantime, US weather and demand indicators will be closely watched. China sold another 500,000 from state reserves, adding pressure, but the cumulative volume from this state sale has only so far amounted to 16% of the total reserve available.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3			132.80 133.98	112.61 128.61	114.39 120.31	118.08 126.37	131.11 132.29	134.31 135.49	138.45 150.81	153.29 166.32	162.76 170.46
Maple Leaf Sig. #5			134.49 135.30	118.65 132.95	118.53 124.06	121.81 127.76	131.96 135.22	137.09 138.25	140.75 151.35	152.21 167.00	163.63 168.70
Soymeal Wpg Del.	472	472	468	465	465	462					
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

