

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, August 29, 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 expected to trade near steady this morning after last week's lower than anticipated weekly hog slaughter of 2.266 million hogs. While the hog supply has been averaging close to 3% larger than year ago levels, last week's level was only about 1.8% larger, which is a positive development, especially as producers appear to be current with their marketings. Packers have a strong incentive to ramp up their production as wholesale pork prices have been relatively stable over the last three weeks; estimated gross margins are at more than \$30/hog. October lean hog futures values imply that cash markets will lose less than \$1.00/cwt each week for the next 6 weeks which would compare favorably to the normal seasonal trend. More than anything else, an increase in pork exports into the fall months would have a positive effect that would cushion the market from the impacts of large hog supplies that could approach 2.5 million hogs per week. However, export sales weakness in both Mexico and Japan suggest that any gains in exports will be difficult to realize.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower to start the week. Although the Pro Farmer crop tour has indicated that some areas are showing yields lower than USDA estimates, there are thoughts the market has also had that idea. As such, while a news of lower yields would normally have a supportive impact, the crop tour is merely confirming what the market had been thinking all along. Remember too, that production estimates remain at record levels (even with a slightly lower average yield estimate) so US soybeans will need a major weather disruption or significant export development to move the market significantly. Export sales remain strong, but new crop sales are currently behind the 5-year average pace.

US corn futures opened lower this morning. Like beans, the US corn trade is experiencing more bearish pressures than bullish ones. Lower yield estimates from the Pro Farmer Crop tour are unsurprising to the market so movements as a result of the lower estimates have had not much, if any, impact yet. Looming support comes from rumors that some speculative investors are poised to increase long positions, and there is also some expectation of localized heavy rain (causing some flooding) in Indiana and Illinois. However, large production estimates will likely limit any upside potential unless some significant news develops.

US Slaughter	
2.266 mil.	Last Week
2.225 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$60.99
National	\$67.69
Iowa/S. MN.	\$61.03
Signature 3	\$144.74
HyLife	\$154.13
TCP/Britco	\$144.51
Sig 3 4-Month Fwd.	\$127.36
BoC Rate (Noon) prev. day \$1.2947 CAD / \$0.7724 USD	
Cash Prices Week Ending August 27, 2016	
Signature 3	148.94/67.56
h@ms Cash	147.44/66.88
HyLife	154.44/70.05
TCP/Britco	150.70/68.36
ISO Weans	\$19.52 US Avg.
Feeder Pigs	\$29.71 US Avg.
#1 Export Sows (+500lbs.) \$56.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3			138.33 139.52	116.59 132.71	118.38 124.35	120.64 129.00	133.77 134.97	135.85 137.04	140.03 152.11	154.96 168.06	164.49 172.22
Maple Leaf Sig. #5			139.96 140.78	122.63 137.04	122.51 128.08	124.38 130.37	134.60 137.89	138.64 139.82	142.33 152.64	153.86 168.73	165.34 170.45
Soymeal Wpg Del.	465	465	461	457	457	454					
Corn	Local delivered price available on request										

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