



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, August 31, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
435,000	Tuesday
425,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$60.33
National	\$67.34
Iowa/S. MN.	\$60.37
Signature 3	\$144.60
HyLife	\$154.29
TCP/Britco	\$144.37
Sig 3 4-Month Fwd.	\$129.70
BoC Rate (Noon) prev. day \$1.3076 CAD / \$0.7648 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.) \$52.00/cwt. (Tagged)	

Forward contract prices opened higher this morning. US cash prices were weaker in yesterday's trade with the daily slaughter totaling 435,000 hogs. After last week's break in the supply trend that had been showing a 2.5%+ increase over year ago levels, packers are waiting to see if this is development will be maintained into the coming weeks. Currently, we anticipate that hog supplies will grow by about 20,000 per week over the next 5 – 6 weeks, which would likely lead to further cash market weakness. However, if last week represented a change in the trend, hog numbers would moderate from higher supply expectations and cash prices may hold their value. Currently, the October lean hog futures contract reflects the more optimistic view of these two scenarios. Producer focus should be on the Dec – Feb timeframe as this is most likely when the cash markets will struggle under heavy hog supplies. Forward contract prices have improved to their highest level for the month of August due to a combination of modest gains in the winter month lean hog futures values and recent weakness in the Canadian Dollar.

Canadian delivered soymeal prices opened lower this morning. Final yield speculations are hovering around the 50 bpa mark and some are as high as 51+ bpa. As such the general consensus is that production volumes will more than offset speculative upticks in usage, reasonably thought to be ~35 MMT when new numbers are released. However, an annual Chinese delegation of soybean buyers is currently in the US and it has been announced that an initial agreement has been made to purchase 4 MMT of US beans yesterday; more announcements are expected. As the market was approaching oversold levels, the development appeared to be the spark needed to push the futures trade higher this morning, but they have once again turned lower following the initial support.

US corn futures opened mixed this morning. Fundamentally, the US corn trade continues to exhibit a bearish bias, but there was talk that a bounce is possible if the USDA doesn't increase its yield estimate. Any yield announcement is unlikely to surface in any official capacity until the next WASDE report on September 12. However, strength in meal and thoughts that the current yield estimate is still too high appears to be providing the initial rationale for this morning's move higher. This is partially understandable considering the technical indicators are showing the market is in an extremely oversold condition and therefore looking for almost any justification to recover.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3			141.10 142.31	118.89 135.13	120.69 126.71	122.61 131.03	135.84 137.04	137.33 138.53	141.54 153.44	155.19 168.35	164.76 172.54
Maple Leaf Sig. #5			142.72 143.54	124.95 139.47	124.83 130.45	126.36 132.40	136.66 139.97	140.14 141.32	143.85 153.97	154.09 169.05	165.63 170.11
Soymeal Wpg Del.	460	460	453	450	450	448					
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

