

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, September 01, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
435,000	Wednesday
434,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$59.77
National	\$67.04
Iowa/S. MN.	\$69.83
Signature 3	\$143.78
HyLife	\$154.29
TCP/Britco	\$143.61
Sig 3 4-Month Fwd.	\$130.81
BoC Rate (Noon) prev. day \$1.3124 CAD / \$0.7620 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 packers are having no difficulty sourcing supplies for their expanded slaughter schedule with cash bids dropping \$0.50/cwt across all regions. The latest decline takes US cash prices down to the lowest level since January and there is no evidence of the weaker trend reversing itself. Typically, hog supplies will grow by nearly 5% over the next 5 weeks, which normally would cause a further price decline of 10-15%. Currently, the October lean hog futures contract is discounted by less than that amount, suggesting that forward prices in October reflect better than fair value. Producer focus should be on the Jan-Mar timeframe (for those that have already hedged a portion of their 4th Quarter production) as the market may have difficulty recovering from the lows expected in December due to abundant live hog supplies and growing pork inventory. In the context of growing supplies of chicken, beef and turkey, the increased competition could result in a steeper than normal price decline into the winter time frame.

Canadian delivered soymeal prices opened lower this morning. Despite the expectation of large supplies at harvest this year, US soybeans were trading higher at opening, mostly on technical indicators that suggest the market is primed for a recovery or short term bounce. Yesterday's action saw some brief support that quickly turned around and ultimately closed lower on the day. However, the support has returned following seven sessions of straight losses, (that pushed the market closer to oversold territory) and there is increasing chatter that some short covering could materialize. Export sales remain robust and the oilseed crush is expected to come in 6% higher than NOPA figures, but so far, supply is expected to offset demand.

US corn futures opened higher this morning. In a story similar to the one seen in beans, technical aspects of the trade are starting to carry a bit more weight and are influencing the trade higher. US corn's RSI (relative strength index) is currently at 19% which is considered extremely oversold; an RSI below 30 is generally considered oversold territory. RSI levels haven't been this low since earlier in July, and when they approached this level, they rapidly rallied 35 cents USD. Recall, however, that the rally did not materialize until some surprises appeared in the July WASDE report on July 12th when lower than expected results were enough to trigger somewhat of a recovery. The extent to which the current support is sustained remains to be seen.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		143.32 144.52	120.11 136.31	121.91 127.91	122.67 131.06	135.86 137.06	137.42 138.62	141.62 154.48	156.09 169.30	165.70 173.51
Maple Leaf Sig. #5		144.89 145.72	126.13 140.61	126.01 131.61	126.40 132.42	136.67 139.98	140.21 141.39	173.92 155.00	154.98 170.00	166.57 171.72
Soymeal Wpg Del.	454	448	445	445	445	445				
Corn	Local delivered price available on request									

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STRENGTH IN NUMBERS

