

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 06, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
2.259 mil.	Last Week
2.183 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$59.54
National	\$66.20
Iowa/S. MN.	\$60.04
Signature 3	\$141.87
HyLife	\$152.70
TCP/Britco	\$142.74
Sig 3 4-Month Fwd.	\$119.98
BoC Rate (Noon) prev. day \$1.2999 CAD / \$0.7693 USD	
Cash Prices Week Ending September 3, 2016	
Signature 3	144.29/65.45
h@ms Cash	142.79/64.77
HyLife	154.07/69.89
TCP/Britco	147.70/67.00
ISO Weans	\$20.98 US Avg.
Feeder Pigs	\$30.32 US Avg.
#1 Export Sows (+500lbs.)	\$52.00/cwt. (Tagged)

Forward contract prices opened lower this morning. US cash markets are expected to trade lower this week as yesterday's holiday has given packers with an abundant supply of hogs from which they can draw. With packer profitability still firmly positive, packers still have an incentive to maximize their slaughter capacity - so long as they are able to clear most of their pork inventory on the other side. Packers are benefitting from stronger prices for trimmings and by-products which has offset some of the weakness that came from pork bellies that are down close to 50% from year ago levels. Lean hog futures collapsed over the last two trading days, with fall and winter month futures dropping between \$3-\$5/cwt. This recent drop in lean hog futures, combined with a stronger Canadian Dollar, erases any of the gains in the remaining 2016 forward prices that were accrued in the last 3 weeks. Producer focus should shift to the first 3 months of 2017 where prices have been more stable and still represent fair value in the context of the record large production that is anticipated in the next 3 months.

Canadian delivered soymeal prices opened higher this morning. Look for yield to dominate discussions regarding new crop supply as harvest approaches. Again today, the market is honing in on official USDA and unofficial private estimates which is leading to some choppy trading patterns. This morning, soybean futures are trading mixed on increasing talk that yield could officially pass 51 bpa which would be a new record and many private organizations are increasingly adjusting their yield estimates higher. However, a factor keeping the downside in check (and influencing a choppy trade) has been robust export demand. There is talk that while yield estimates creep higher, official demand numbers could be raised as well.

US corn futures opened lower this morning. Pressure on the corn futures trade is also coming from high yield expectations. A major analytics firm has pegged corn yield at 174.8 bpa, raised from their last month's 169.8 bpa estimate and another has gone from a 175 bpa estimate last month to 175.6. The last WASDE report estimates national yield at 175.1 bpa. The likelihood of these record yield estimates turning into reality is entirely contingent on weather and harvest pace. So far, despite earlier regional concerns, it appears that there will be a very large corn crop ahead. The trade will then turn to demand data and technical indicators for some direction.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		130.24 131.41	109.08 124.98	110.85 116.74	114.30 122.55	127.26 128.44	130.60 131.78	134.72 147.05	151.13 164.08	160.54 168.20
Maple Leaf Sig. #5		131.94 132.75	115.13 129.34	115.01 120.51	118.07 123.98	128.15 131.40	133.41 134.57	137.05 147.63	150.06 164.78	161.42 166.47
Soymeal Wpg Del.	453	447	444	444	444	447				
Corn	Local delivered price available on request									

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