

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 07, 2016

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

www.hamsmarketing.ca

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

| US Slaughter | |
|---|-----------------------|
| 421,000 | Tuesday |
| 436,000 | Tuesday (year ago) |
| Daily Prices | |
| W. Corn Belt | \$59.16 |
| National | \$65.94 |
| Iowa/S. MN. | \$59.17 |
| Signature 3 | \$139.27 |
| HyLife | \$150.86 |
| TCP/Britco | \$139.98 |
| Sig 3 4-Month Fwd. | \$122.93 |
| BoC Rate (Noon) prev. day \$1.2843 CAD / \$0.7786 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.) \$42.00/cwt. (Tagged) | |

Forward contract prices opened higher this morning. US cash markets traded slightly lower to start the holiday reduced production week, but there are several factors that are providing conflicting market signals. A fire in a Smithfield owned packing plant in Monmouth, Illinois on Monday night has resulted in a temporary plant closure. The facility has a daily capacity of just over 10,000 hogs, according to industry sources, which will have a negative impact on the cash market until the plant reopens. Unrelated to this news, the pork carcass cut-out made an unexpected jump in trade yesterday, surging \$2.50/cwt with support coming from all cuts. The latest pork export data was released yesterday by the USDA for the month of July, which showed a modest increase of 2% in volume compared to last year's levels. In a classic response to the news of the Monmouth plant fire, lean hog futures dropped sharply yesterday, but are recovering this morning. Producer focus should be on the longer term, with forward contracts in the first 3 months of 2017 reflecting fair value given the expected record supply.

Canadian delivered soymeal prices opened higher this morning. A robust export pace and some weather concerns in the delta region are supporting the US soybean trade this morning. Almost 500,000 MT in sales were announced yesterday for the new crop and there is talk that excessive rainfall forecast for the region could impact quality. Crop conditions were expected to show a slight downgrade, but instead came in unchanged from the previous week at 73% good/excellent. Now that harvest is ramping up for other crops, Canadian soymeal customers are reminded to have soymeal delivery requests firmed up and submitted by the Thursday of the preceding week. Late requests (i.e. within the same week) will likely not be accommodated especially when harvest is in full swing.

US corn futures opened higher this morning. The USDA still estimates yield to come in at 175.1 bpa (4.2% higher than trend line), a sentiment that has been somewhat echoed by private forecasters who appear to be raising expectations as well. However, some news is surfacing that, according to field reports, producers are a little disappointed with yields relative to expectations, possibly providing rationale for underlying support to a market that has been unable to shake the bearish tone for some time. As well, a slight downgrade in crop conditions has provided some support; crops in good/excellent conditions came in at 74% compared to 75% last week. The WASDE report will be released next Monday.

| Fixed Forward Range (at opening) | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|-------------------------------------|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 134.73 135.91 | 111.84 127.80 | 113.61 119.52 | 116.33 124.59 | 129.32 130.50 | 132.63 133.81 | 136.76 148.85 | 152.27 165.23 | 161.70 169.36 |
| Maple Leaf Sig. #5 | | 136.37 137.19 | 117.87 132.14 | 117.75 123.27 | 120.07 126.00 | 130.19 133.44 | 135.42 136.58 | 139.07 149.41 | 151.19 165.93 | 162.56 167.62 |
| Soymeal Wpg Del. | 463 | 456 | 452 | 452 | 452 | 450 | | | | |
| Corn | Local delivered price available on request | | | | | | | | | |

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STRENGTH IN NUMBERS

