

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 09, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
436,000	Thursday
432,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$59.24
National	\$65.80
Iowa/S. MN.	\$59.34
Signature 3	\$140.17
HyLife	\$149.33
TCP/Britco	\$140.10
Sig 3 4-Month Fwd.	\$124.87
BoC Rate (Noon) prev. day \$1.2909 CAD / \$0.7747 USD	
Cash Prices Week Ending September 10, 2016	
Signature 3	140.22/63.60
h@ms Cash	138.72/62.92
HyLife	n/a
TCP/Britco	144.10/65.36
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 moved slightly higher in trade yesterday as estimated gross margins for packers remain very profitable at more than \$40 USD/hog. Smithfield's Monmouth, Illinois plant was operational yesterday and it is expected to be at full production capacity both today and Saturday in order to make up for lost time. The fire at the plant was reportedly limited to rendering operations which allowed the plant to restart with limited impact on fresh pork production. Lean hog futures are expected to find support from an anticipated large weekend slaughter as packers look to capitalize on the exceptional margins, suggesting that they are optimistic they can sell their production without large discounts. However, supplies are still expected to grow another 5% over the next 10 weeks which is expected to pressure cash prices by more than 10%. Producers should look to cover up to half of their Jan – Feb production at current prices as the record production that is anticipated in December will take time and possibly result in further discounts (in order to clear the market) amid abundant supplies of beef and chicken.

Canadian delivered soymeal prices opened higher this morning. There are some mixed messages coming in as trade participants attempt to position themselves ahead of Monday's WASDE and Crop Production reports. On the one hand, export sales remain robust and have come in higher than expectations for the week. There is talk that if the average 49.2 bpa estimate is realized on Monday, ending stocks will show no change should the demand side be raised by as many as 60 million bushels which is possible. On the other hand, there is some evidence the market is expecting a higher number (50+ bpa?) and news from Brazil showing increasing production estimates could mean the global market will be flush with beans for the mid term.

US corn futures opened lower this morning. Corn yields are expected to come in high in Monday's USDA reports, but even though some private pre-report estimates are coming in lower than the trend line, the general consensus is that yield will be historically high. The current USDA estimate is 175.1 bpa and recall that the highest yield on record ever was 171 bpa. If the USDA does lower yield by as much as 3 bpa (which would be considered a large adjustment), the move would be somewhat supportive. However, that would still mean an average yield of 172.5 bpa, the highest on record. There is news coming out of China that state sales have seen strong interest and 17.7 MMT have been sold into the domestic market since May.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		136.62 137.81	113.51 129.64	115.30 121.28	118.59 126.95	131.72 132.92	134.78 135.98	138.96 151.30	154.26 167.38	163.80 171.55
Maple Leaf Sig. #5		138.28 139.10	119.60 134.02	119.48 125.06	122.36 128.36	132.59 135.88	137.59 138.77	141.28 151.85	153.17 168.08	164.67 169.79
Soymeal Wpg Del.	469	461	459	459	456	459				
Corn	Local delivered price available on request									

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STRENGTH IN NUMBERS

