

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 13, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
440,000	Monday
435,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$57.82
National	\$65.23
Iowa/S. MN.	\$57.90
Signature 3	\$138.60
HyLife	\$149.62
TCP/Britco	\$138.48
Sig 3 4-Month Fwd.	\$116.50
BoC Rate (Noon) prev. day \$1.3077 CAD / \$0.7647 USD	
Cash Prices Week Ending September 10, 2016	
Signature 3	140.22/63.60
h@ms Cash	138.72/62.92
HyLife	149.84/67.97
TCP/Britco	144.10/65.36
ISO Weans	\$20.07 US Avg.
Feeder Pigs	\$28.71 US Avg.
#1 Export Sows (+500lbs.)	\$34.00/cwt. (Tagged)

Forward contract prices opened lower this morning. US cash markets started the week with lower values than last week's close, reflecting the abundant supply of market-ready animals. Daily slaughter was 440,000 hogs in yesterday's trade and this number is expected to be typical over the coming months. Pork product values continue to hold a large premium over cash hog prices, resulting in very profitable operating margins for packers. As the hog supply grows seasonally, packer profitability typically improves because packers do not have to compete as aggressively to meet their production requirements. Lean hog futures continue to experience high volatility, but mounting bearish factors have caused the winter contracts to put in new contract lows this morning. Offsetting these losses has been a weaker Canadian Dollar which serves to improve Canadian cash and forward contract prices. Producers that have little to no price protection in the first 3 months of 2017 should cover 30%-50% of their intended production with targets set \$2-\$4/c/kg higher than this morning's opening prices.

Canadian delivered soymeal prices opened lower this morning. While the USDA didn't get to a 51 bpa yield estimate that was considered possible in some circles, the official 50.6 bpa number in yesterday's WASDE report is considered large. The 50.6 bpa number represents the highest ever on record, pushing new crop supplies up 200 million bu. from last month's estimate. As expected, export numbers were also raised 30 million bu. for new crop and old crop demand took 60 million bu. off the starting balance. However, the massive yield estimate has had the most influence, pushing the trade lower than previous support levels. The news has influenced Canadian spot meal prices approximately \$15 CAD/MT lower than yesterday morning.

US corn futures opened lower this morning. A relatively modest adjustment lower to the national corn yield was viewed as bearish for the corn market following yesterday's WASDE report. Last month, the USDA posted corn yield to come in at 175.1 bpa which was considered too high by some in the trade. Added to that were concerns regarding some regional yield and early harvest issues. However, the USDA has not ventured too far from the initial tack and the September estimate came in at 174.4 bpa when 171 (or lower) was considered plausible. Supplies thusly came down by 50 million bu., but with an offsetting decrease in demand by 25 million bu., ending stocks are now at 2.384 billion bu., a very large estimate.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		129.72 130.92	105.07 121.35	106.88 112.91	110.15 118.59	123.42 124.62	127.56 128.77	131.78 144.08	148.29 161.52	157.91 168.74	164.66 166.93
Maple Leaf Sig. #5		131.52 132.35	111.37 125.92	111.25 116.87	114.11 120.17	124.44 127.76	130.54 131.72	134.26 144.77	147.30 162.34	158.91 168.02	165.59 167.74
Soymeal Wpg Del.	455	452	450	450	450	454					
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

