

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 14, 2016

For details call: (204)235-2237 or visit [www.hamsmarketing.ca](http://www.hamsmarketing.ca)

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

US Slaughter	
437,000	Tuesday
431,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$57.42
National	\$65.36
Iowa/S. MN.	\$57.55
Signature 3	\$138.58
HyLife	\$150.43
TCP/Britco	\$138.59
Sig 3 4-Month Fwd.	\$113.11
<b>BoC Rate (Noon) prev. day</b> \$1.3167 CAD / \$0.7595 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 traded lower yesterday with ample hog supplies easily providing packers with all the hogs they need to meet their weekday production schedule. With hog slaughter estimated for this week at over 2.4 million hogs, the hogs that are delivered in excess of the 440,000 per day will accumulate on the Saturday slaughter. Packers have strong incentives to add hours to their production schedule with gross margins running near \$45/hog. However, the pork produced needs to continue to clear the market either through domestic or export channels in order to avoid sharp declines in product values. Lean hog futures dropped to new contract lows in the nearby contracts, suggesting that traders are not optimistic about the ability to clear the record pork supplies that are anticipated. Producers should consider setting targets \$5-\$7/ckg higher than current forward prices in the Jan – Mar timeframe in order to minimize the price impact of the huge supply.

**Canadian delivered soymeal prices opened even this morning.** US soybean futures have found some support after experiencing the pressure following Monday's WASDE report. There is now a general consensus that, yes, barring any major weather or other external shock, US production will be quite large. There is also news that Argentine production could surpass 15 MMT which is higher than last year's 11.4 MMT and slightly higher than USDA's 14.4 MMT estimate. As such, the market will likely turn to demand indicators and harvest reports for direction. There is talk of some modest pressure in the short term ahead as no sales have been announced in five days, compared to the robust sales pace seen recently.

**US corn futures opened lower this morning.** Unlike beans, US corn futures are still facing some pressure and attempting to carve out a new low. The September contract is trading at sub-\$3.20 USD/bu. as of this writing, but recall that this contract has been as low as \$3.01 (on August 30). Nevertheless, the trade continues to harbour a bearish tone amid large supply news from the US. While China is not a large importer of US corn, talk that sales of state reserves for 2012 production have not been going well due to potential quality issues has the trade wondering if the Chinese will be looking externally for some supply. Bear in mind that 79% of reserve corn has been auctioned since May totalling 18.2 MMT.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		127.60 128.80	101.69 117.96	103.50 109.53	106.12 114.56	119.38 120.59	123.55 124.76	127.77 140.05	145.22 158.45	154.84 165.66	163.86 164.19
Maple Leaf Sig. #5		129.43 130.26	108.04 122.58	107.92 113.54	110.14 116.19	120.47 123.79	126.59 127.78	130.32 140.80	144.28 159.31	155.88 164.99	164.71 165.16
Soymeal Wpg Del.	452	452	450	450	450	451					
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

