

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, September 20, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
441,000	Monday
419,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$53.64
National	\$63.18
Iowa/S. MN.	\$53.76
Signature 3	\$129.60
HyLife	\$146.93
TCP/Britco	\$129.60
Sig 3 4-Month Fwd.	\$109.06
BoC Rate (Noon) prev. day \$1.3181 CAD / \$0.7587 USD	
Cash Prices Week Ending September 17, 2016	
Signature 3	136.89/62.09
h@ms Cash	135.39/61.41
HyLife	149.89/67.99
TCP/Britco	139.70/63.37
ISO Weans	\$16.30 US Avg.
Feeder Pigs	\$27.02 US Avg.
#1 Export Sows (+500lbs.) \$40.00/cwt. (Tagged)	

Forward contract prices opened lower this morning. US cash markets are continuing the recent decline and are now trading at the lowest level since early January. Yesterday's daily slaughter was estimated at 441,000 hogs, indicating that packers are filling their daily production capacity and spending less to do it. There is a huge discrepancy between cash hog prices and wholesale pork values with estimated gross packer margins exceeding \$50 USD/hog for several weeks. Retail pork prices experience far less volatility than wholesale or live prices which makes it easier for retailers to manage their margins. However, the stability comes at the expense of being able to clear larger volumes of pork quickly which would help match consumption better with the supply trend. This winter, the record production that is anticipated will need to be cleared through export channels in order to avoid price declines beyond what the current futures values imply. However, North American pork is already one of the least expensive options in the world, which should help export sales volumes.

Canadian delivered soymeal prices opened higher this morning. Forecast wet weather during the next week stretching into Minnesota and Wisconsin is a supportive factor. There are expectations that the rain will prevent harvest activity, slowing the flow of product to market and potentially influencing crop damage. Minnesota, typically one of the top-10, 18-state producers has been described as being in danger of too much rain for harvest activity. However, there is still talk of higher yield estimates ahead from other regions that could push average yields past 51 bpa, keeping supply issues in check somewhat. Also supporting the complex is news that palm oil prices have moved higher on lower export activity.

US corn futures opened higher this morning. Like beans, harvest-delaying and potentially crop damaging wet weather in the northwestern Corn Belt is a supportive factor this morning. Talk of S. American farmers switching to soybeans is also providing some support. However, there is not much bullish news in the corn trade longer term. Production estimates for the US are still massive and even if the wet weather materializes, some commenters are quick to point out the system could be limited to northern and western growing areas and possibly not influence widespread damage. Despite rumors of S. American farmers switching to beans, corn production from the region is still expected to be quite large.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		124.92 126.13	97.65 114.01	99.47 105.53	102.67 111.15	115.99 117.20	120.47 121.68	124.71 137.01	140.69 153.97	150.35 161.22	156.00 159.40
Maple Leaf Sig. #5		126.81 127.65	104.11 118.73	103.99 109.64	106.77 112.85	117.14 120.48	123.58 124.77	127.33 137.83	139.82 154.92	151.47 160.62	158.59 160.34
Soymeal Wpg Del.	466	466	466	466	467	470					

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STRENGTH IN NUMBERS

