

# Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, September 21, 2016

For details call: (204)235-2237 or visit  
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Hog Prices: ↑ Soymeal: ↓  
Corn: ↓ CDN Dollar: ↓

| US Slaughter  |                       |
|---|-----------------------|
| 439,000   | Tuesday               |
| 432,000   | Tuesday<br>(year ago) |
| Daily Prices  |                       |
| W. Corn Belt  | \$52.60               |
| National  | \$63.27               |
| Iowa/S. MN.   | \$52.78               |
| Signature 3   | \$127.54              |
| HyLife  | \$146.77              |
| TCP/Britco  | \$127.69              |
| Sig 3<br>4-Month Fwd.   | \$110.33              |
| <b>BoC Rate (Noon) prev. day</b><br>\$1.3228 CAD / \$0.7560 USD |                       |
| Cash Prices Week Ending<br>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.)<br>\$40.00/cwt. (Tagged)              |                       |

**Forward contract prices opened higher this morning.** US cash markets moved lower in yesterday's trade as packers are firmly in control of prices amid a hog supply that is continuing its growth trend. By all accounts, producers are current with their marketings which is the only lever of control that producers have in the short run. Wholesale pork prices have appreciated in value over the last month, gaining more than 10% at a time when they typically struggle to maintain their value. As a result, packer profitability is estimated to be the best for the year with gross operating margins approaching \$60 USD/hog. Lean hog futures remain heavily discounted from the current cash market, reflecting the market consensus that supplies will be burdensome for the coming four months. Producer focus should be on the Jan – Mar timeframe with forward price targets set \$8 - \$10 CAD/kg higher than current forward prices in an effort (and with the hope) to take advantage of the ongoing volatility.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures have retreated somewhat after the past two sessions saw solid gains and are trading lower this morning. A motivating factor has been attributed to a backing-off of the fears associated with heavy rain in the northwest. While it is true that heavy, harvest-delaying rain is expected to materialize, the extent of rain inflicted damage is very much under question. As well, the region is expected to be limited to three or four of the top 18 producing states, not to mention that as harvest is only 4% complete (vs. a 5% average), harvest activity is in the very earliest of stages. Nevertheless, a slower harvest in any region will delay the flow of raw material to market and have a supporting feature as demand remains high across the complex.

**US corn futures opened lower this morning.** Like beans, US corn futures are trading lower. Lowering fears regarding crop damage are a contributing factor. So too, however, is talk that a technical repositioning may be taking place ahead of the Federal Open Market Committee meeting today as a hedge against any major moves in the US dollar (likely impacting the bean trade as well). There is talk that there are more reports of 'above expectations' yields reports from the field than 'below expectations' ones suggesting the average yield could creep upward in the final analysis. Corn harvest came in at 9% complete, up from 5% last week and compared to 12% on average.

| Fixed Forward Range<br>(at opening) | Sep | Oct              | Nov              | Dec              | Jan              | Feb              | Mar              | Apr              | May              | Jun              | Jul              |
|-------------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf<br>Sig. #3               |     | 124.89<br>126.10 | 99.23<br>115.57  | 101.05<br>107.10 | 103.93<br>112.39 | 117.23<br>118.44 | 121.83<br>123.04 | 126.07<br>138.59 | 142.77<br>156.06 | 152.43<br>163.31 | 157.10<br>161.49 |
| Maple Leaf<br>Sig. #5               |     | 126.78<br>127.61 | 105.65<br>120.25 | 105.53<br>111.18 | 108.00<br>114.08 | 118.36<br>121.70 | 124.91<br>126.10 | 128.65<br>139.37 | 141.87<br>156.98 | 153.53<br>162.68 | 159.67<br>162.40 |
| Soymeal Wpg Del.                    | 452 | 453              | 451              | 451              | 452              | 456              |                  |                  |                  |                  |                  |

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STRENGTH IN NUMBERS

