

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 23, 2016

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

www.hamsmarketing.ca

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

US Slaughter	
438,000	Thursday
424,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$51.58
National	\$62.05
Iowa/S. MN.	\$51.99
Signature 3	\$123.28
HyLife	\$144.01
TCP/Britco	\$123.98
Sig 3 4-Month Fwd.	\$109.02
BoC Rate (Noon) prev. day \$1.3039 CAD / \$0.7669 USD	
Cash Prices Week Ending September 24, 2016	
Signature 3	127.45/57.81
h@ms Cash	125.95/57.13
HyLife	n/a
TCP/Britco	134.90/61.19
ISO Weans	\$16.30 US Avg.
Feeder Pigs	\$27.02 US Avg.
#1 Export Sows (+500lbs.) \$40.00/cwt. (Tagged)	

Forward contract prices opened higher this morning. US cash markets lost more value in yesterday's trade, continuing the weaker trend that has been consistent over the last week. Cooler weather and fresh corn in market hog rations are resulting in higher growth rates and contributing to the normal seasonal trend of increased hog supplies. Until recently, pork product prices were holding firm against the pressure of heavy supplies, but recent days have seen the carcass cut-out drop about 4% to the lowest level in three weeks. December lean hog futures have already factored in a \$10 USD/cwt drop in cash prices over the next 3 months, but weak cash market fundamentals could drive prices significantly lower than what is currently implied. Offsetting the bearish supply factors could be the prospect of increased pork exports; the recent price decline should spur new interest in North American pork that could provide some needed support. Producers should focus their risk management activity on the Jan – Mar timeframe by setting targets \$8 -\$10 CAD/kg higher than current forward prices.

Canadian delivered soymeal prices opened mixed this morning. Current weather forecasts that are more dry than even a couple days ago combined with talk of exceptional yield reports from the field are adding pressure to US soybean trade to finish off the week. While some regions have been hit quite hard with harvest-delaying rain (Iowa and Minnesota), regions in the eastern Corn Belt stretching into the Dakotas are only called for 'slight' amounts heading into the weekend. The 6-10 day forecast is called 'dry' and the longer term models are showing 'normal' and 'below normal' rain forecasts further out. If true, harvest activity should start to ramp up and coupled with news that yields could surpass the USDA's current 50.6 bpa estimate, US beans could see some more pressure heading into October.

US corn futures opened mixed this morning. Counterintuitively, US corn futures are finding some strength and are trading in a two-sided and choppy pattern. The strength seemingly bucks the trend seen in the other commodities, not to mention some recent news that implies a bearish tone. China has announced an antidumping levy of 33% to be applied to US DDGs which should have a negative impact on the US corn trade and some recent technical indicators indicate little rationale for support at this time. However, extensive rainfall in Wisconsin, Minnesota and parts of Iowa could be supportive, and there was talk yesterday that the 174+ bpa yield could be downgraded to the 170-171 bpa range if crop damage reports become widespread.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		122.04 123.25	97.95 114.21	99.75 105.78	103.10 111.53	116.34 117.55	121.81 123.01	126.02 138.59	144.91 158.15	154.54 165.37	158.59 163.56
Maple Leaf Sig. #5		123.96 124.79	104.35 118.88	104.23 109.85	107.17 113.21	117.47 120.79	124.86 126.05	128.58 139.36	143.98 159.02	155.58 164.70	161.08 164.42
Soymeal Wpg Del.	446	443	442	442	464	465					

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Some Important Phone Numbers

Main Office: 204-233-4991

Toll Free: 1-800-899-7675

Logistics: 204-235-2225

Risk Management: 204-235-2237

STRENGTH IN NUMBERS

