

Hog Margin Outlook

Meeting Your Marketing Needs

Monday, September 26, 2016

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

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

US Slaughter	
2.466 mil.	Last Week
2.283 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$51.32
National	\$61.19
Iowa/S. MN.	\$51.83
Signature 3	\$123.84
HyLife	\$140.42
TCP/Britco	\$124.79
Sig 3 4-Month Fwd.	\$108.39
BoC Rate (Noon) prev. day \$1.3165CAD / \$0.7596 USD	
Cash Prices Week Ending September 24, 2016	
Signature 3	127.45/57.81
h@ms Cash	125.95/57.13
HyLife	144.66/65.62
TCP/Britco	134.90/61.19
ISO Weans	\$15.99 US Avg.
Feeder Pigs	\$28.58 US Avg.
#1 Export Sows (+500lbs.)	\$40.00/cwt. (Tagged)

Forward contract prices opened mixed this morning. US cash markets are starting out this week with steady to lower packer bids after last week's huge slaughter the USDA estimates at 2.466 million hogs. Packers added 277,000 hogs on Saturday to the weekday schedule which would result in the largest weekly slaughter ever seen in the month of September. Pork product values were down on Friday, but still represent very profitable operating margins for packers given the large spread between live hog and carcass cut-out values of over \$25 USD/cwt. Lean hog futures are trading mixed to start the week with traders overlooking the huge slaughter of last week in part due to a favorable Cold Storage report which showed August pork inventory was down 7% from year ago levels. Producers without protection in the Jan – Mar timeframe should set targets for up to half of their intended production at levels \$8 -\$10/ckg higher than current forward prices.

Canadian delivered soymeal prices opened lower this morning. Reports of exceptional yield estimates from the field and a drier forecast is pressuring the trade. There is at least one yield report showing 90+ bpa (!) raising expectations that the final official number could indeed come in 50+ bpa for the national average. While many growing regions have seen excessive rainfall recently, the 7-day forecast is showing little to no rain for the same areas and there is talk that, except for some isolated regions, damage will not be widespread as a result of recent weather patterns. As well, there is talk that the 33.8% Chinese anti-dumping duty on DDGs will pressure the relatively higher priced meal as a surplus of the competitive protein feed ration develops.

US corn futures opened lower this morning. Fundamentals, technical indicators and world events are all indicating pressure on the US corn futures this morning. While expectations on final yield have softened somewhat from 174+ bpa to a 170-171 bpa range, the latter range still represents one of the highest yield estimates on record, likely resulting in over 2 billion bu. in ending stocks. Corn is currently in oversold territory reflecting the pressure, but bear in mind the market starts to look for recovery rationale once the relative strength index (RSI) is 30 or lower (i.e. oversold). Like beans, news that the Chinese government will impose an anti-dumping levy on DDGs is pressuring as well.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		120.84	98.12 114.40	99.93 105.96	102.48 110.92	115.75 116.95	121.41 122.62	125.63 138.17	144.26 157.51	153.90 164.74	158.23 162.93
Maple Leaf Sig. #5		122.78	104.53 119.08	104.41 110.04	106.57 112.62	116.89 120.21	124.49 125.67	128.21 138.95	143.34 158.40	154.96 164.09	160.76 163.80
Soymeal Wpg Del.	437	437	437	437	458	460					

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STRENGTH IN NUMBERS

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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

