



# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, September 30, 2016

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

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

## Forward contract prices opened lower this morning.

US cash markets continued their bearish trend posting two weeks of uninterrupted daily declines. Hog slaughter shocked market participants last week with its 2.466 million hog total, which is 8% larger than year ago levels. It is believed that producers pulled animals ahead of their normal shipping weight in an effort to mitigate the effect of the falling market. However, this has not been confirmed by the official weight data that the USDA publishes more than a week after delivery occurs. Lean hog futures are being pressured by hedgers ahead of this afternoon's Hogs and Pigs report, taking all of the winter month contracts to new lows. Should the report show hog supplies in the three heaviest market hog categories at less than a +2.5% increase over last year, concern over slaughter capacity should ease and allow a modest recovery in the forward prices offered in the Nov – Feb timeframe.

### Analysts' Expectations for September

	Range % of 2015	Avg. In % of 2015	Sep. in % of 2015
All hogs	100.6-102.3	101.1	
Breeding	99.0-101.1	100.6	
Marketing	100.6-102.4	101.1	
>180 lbs.	100.5-104.0	103.1	
120-179 lbs.	101.8-103.1	102.3	
50-119 lbs.	99.0-102.4	100.8	
<50 lbs.	99.0-102.0	99.9	

Source: citing Urner Barry in DLR

## Canadian delivered soymeal prices opened lower this morning.

Trading is expected to be light ahead of the USDA's quarterly Grain Stocks report that will be released mid-trade today at 12:00 noon Eastern. The range of estimates for this report is between 180 and 256 million bu (201 million bu. average) compared to last year's 191 million bu. There is talk that the USDA could issue a bullish surprise due to the earlier demand pace which may have drawn down stocks more rapidly than anticipated, but there are also a lot of beans expected to come to market soon. Regardless, there are thoughts that no matter what number is released, it will take a larger divergence from expectations than normal to 'move the market' higher due to an idea that much of the recent demand has already been priced in.

**US corn futures opened lower this morning.** Large stocks in today's USDA report and some more news from China (other than the DDG import tariffs) are pressuring US corn futures this morning. The average estimate ahead of the quarterly Grain Stocks report is 1.754 billion bu. (1.665-1.862 billion bu range) compared to 1.731 billion bu. last year. Unlike beans, US corn has struggled to earn global market share due to competitiveness issues, and with a lot of corn in the world generally, demand for the US variants have been less than stellar. As well, there is news coming out of China that two export licenses will be issued to two Chinese companies placing Chinese corn on the global market for the first time in 10 years.

US Slaughter	
438,000	Thursday
433,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$49.13
National	\$59.01
Iowa/S. MN.	\$49.23
Signature 3	\$117.98
HyLife	\$137.52
TCP/Britco	\$117.96
Sig 3 4-Month Fwd.	\$98.87
<b>BoC Rate (Noon) prev. day</b> \$1.3101 CAD / \$0.7633 USD	
Cash Prices Week Ending October 1, 2016	
Signature 3	121.51/55.12
h@ms Cash	120.01/54.44
HyLife	n/a
TCP/Britco	126.40/57.33
ISO Weans	\$15.99 US Avg.
Feeder Pigs	\$28.58 US Avg.
#1 Export Sows (+500lbs.)	\$33.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		111.27	88.46 104.67	90.26 96.27	91.42 102.21	107.00 108.20	112.04 113.23	117.43 131.61	139.24 152.46	148.85 159.68	154.38 157.87
Maple Leaf Sig. #5		115.12	96.76 110.77	96.64 102.24	98.00 105.67	110.03 113.34	116.41 117.59	121.29 133.56	138.75 153.78	150.34 159.46	157.32 159.17
Soymeal Wpg Del.	428	428	431	431	453	453					

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