



# Hog Margin Outlook

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Monday, October 03, 2016

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

## Forward contract prices opened lower this morning.

US cash markets are called to trade lower again this week as hog supplies continue to exceed expectations and result in the largest weekly hog slaughter that the industry has ever seen at this time of year. Trade participants are focused on the early reaction seen in the lean hog futures trade following Friday's Hogs and Pigs report which pegged market hog supplies over the next few months to be larger than was previously anticipated. However, the selling pressure in nearby lean hog futures contracts over the last week was so large that the market is experiencing some support today by coming off those lows despite the confirmation of larger supplies. The report suggests that packers will be operating their plants at, or very near, their maximum slaughter capacity over the next 2 months, and any disruptions to normal operations will have a marked bearish impact on the cash market. Producers can set targets in the Jan – Mar timeframe at levels \$10-\$15 CAD/kg higher than current prices with a low probability that they will be triggered.

### Analysts' Expectations vs. September Quarterly Hogs and Pigs Report

	Range % of 2015	Avg. In % of 2015	Sep. in % of 2015
All hogs	100.6-102.3	101.1	102.4
Breeding	99.0-101.1	100.6	100.5
Marketing	100.6-102.4	101.1	102.6
>180 lbs.	100.5-104.0	103.1	104.1
120-179 lbs.	101.8-103.1	102.3	103.7
50-119 lbs.	99.0-102.4	100.8	101.9
<50 lbs.	99.0-102.0	99.9	101.7

Source: USDA; citing Urner Barry in DLR

## Canadian delivered soymeal prices opened higher this morning.

US soybean futures have once again turned lower following the release of the Grain Stocks report on Friday. While the numbers did confirm that there is a lot of supply on hand currently, the volumes came in slightly below expectations and provided a bit of a supportive tone to the trade heading into the weekend. Stocks of soybeans came in at 197 million bu. against a market expectation of 201 million, compared to 191 million bu. last year. There are expectations that harvest will be slowed somewhat this week as some weather systems move through some growing regions. Yield will now be extremely closely watched as harvest progresses.

US corn futures opened mixed this morning. Like beans, US corn stocks came in higher than last year, but lower than average market expectations. The USDA reported 1.738 billion bu. on hand against an average trade guess of 1.754 billion, compared to 1.731 billion bu. last year. The news provided a bit of bounce on Friday afternoon, but pressure has returned on talk of good harvest progress and ideas that the forecast rain will not slow the pace down too much. The trade expects between 25% and 30% of the crop will have been shown to be harvested so far in the Crop Progress report that will be released later this afternoon after trading.

US Slaughter	
2.436 mil.	Last Week
2.269 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$48.72
National	\$58.38
Iowa/S. MN.	\$48.75
Signature 3	\$117.14
HyLife	\$134.60
TCP/Britco	\$116.95
Sig 3	\$95.60
4-Month Fwd.	
BoC Rate (Noon) prev. day \$1.3117 CAD / \$0.7624 USD	
Cash Prices Week Ending October 1, 2016	
Signature 3	121.51/55.12
h@ms Cash	120.01/54.44
HyLife	138.06/62.62
TCP/Britco	126.40/57.33
ISO Weans	\$15.46 US Avg.
Feeder Pigs	\$23.22 US Avg.
#1 Export Sows (+500lbs.)	\$33.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		84.55 100.79	86.35 92.37	88.58 99.36	104.16 105.36	110.15 111.35	115.55 129.45	137.37 150.56	146.96 157.76	146.87 155.96
Maple Leaf Sig. #5		92.93 106.97	92.81 98.42	95.20 102.87	107.24 110.54	114.55 115.73	119.43 131.42	136.90 151.90	148.47 157.57	150.34 157.28
Soymeal Wpg Del.	437	441	441	463	465	465				

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