



Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, October 06, 2016

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

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

US Slaughter	
442,000	Wednesday
432,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$46.83
National	\$57.07
Iowa/S. MN.	\$46.89
Signature 3	\$113.12
HyLife	\$132.28
TCP/Britco	\$113.01
Sig 3 4-Month Fwd.	\$93.87
BoC Rate (Noon) prev. day \$1.3178 CAD / \$0.7588 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.)	\$27.00/cwt. (Tagged)

Forward contract prices opened mixed this morning. US cash markets traded near steady with Tuesday's price levels, but further declines are still anticipated this week as hog numbers are outpacing both the USDA's and private analysts' expectations. This week's slaughter is expected to be 2.45 million hogs, a number similar to the last two weeks (reported to be 2.47 and 2.44 million hogs), but still shy of the estimated industry capacity of 2.5 million per week. Lean hog futures are recovering some value after yesterday's losses that amounted to about \$2.00 USD/cwt for most contracts. The trade is expected to see some heavy influence from the latest pork export sales data (released later today) which is anticipated to show only modest increases in sales volumes for August compared to year ago levels. Stronger pork export sales are the single biggest factor that could help alleviate the burdensome supplies that will likely continue to plague the industry in the months ahead. Current forward contract prices offer little in the way of 'protection' from negative cash flows, but producers looking to add to their risk management position should consider setting targets \$10 CAD/kg higher than current forward prices in hopes that increased market volatility can work in their favor.

Canadian delivered soymeal prices opened lower this morning. Despite thoughts of sustained demand in the short-to-mid term, US soybean futures are under some pressure. The slowdown that was expected for harvest this week appears it is not going to materialize as first thought. The rainfall has turned out to be less intense than earlier forecasts and the ECB is now expected to accumulate only between a half to one inch of rain in localized areas suggesting drying out times could be reduced. As well, there is more talk surfacing that US bean production will be quite large, possibly resulting in 500+ million bushels in ending stocks in upcoming reports; the next WASDE report will be released next Wednesday.

US corn futures opened lower this morning. Like beans, the US corn futures market is coming under pressure as the rainfall forecast becomes slightly diminished. Calls for drier weather heading into the weekend and early next week are also a positive development for harvest progress. As well, there are some early reports coming from Brazil (CONAB) that the first and second (Safrinha) crop production will be up from last year's estimates by 1.1 MMT and 15.3 MMT respectively on average. A technically oversold condition (providing rationale for a turnaround) and a surprisingly high export sales report released this morning for week ending September 29 is keeping the downside in check. Sales came in at over 2.06 MMT, the highest volume since last April.

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		81.91 98.27	83.73 89.79	87.45 89.34	103.18 104.39	110.56 111.77	116.01 129.63	141.83 155.11	151.49 162.35	154.05 162.52
Maple Leaf Sig. #5		90.40 104.55	90.28 95.94	94.17 101.91	106.32 109.65	115.01 116.20	119.94 131.63	141.30 156.40	152.95 162.10	157.46 163.89
Soymeal Wpg Del.	438	440	440	463	466	466				

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