Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, November 03, 2016

For details call: (204)235-2237 or visit
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Hog Prices: ↓ *Soymeal:* ←→
Corn: ↑ *CDN Dollar:* ↓

US Slaughter	
440,000	Wednesday
431,000	Wednesday (year ago)

Daily Prices	
W. Corn Belt	$44.04
National	$54.39
Iowa/S. MN.	$43.96
Signature 5	$118.69
HyLife	$128.08
TCP/Britco	$107.65
4-Mo. Sig5 Fwd	$114.58

BoC Rate (Noon) *prev. day*
$1.3390 CAD / $0.7468 USD

Cash Prices Week Ending October 29, 2016	
Signature 3	111.30/50.49
Signature 4	129.32/58.66
Signature 5	120.31/54.57
h@ms Cash	118.81/53.89
HyLife	127.71/57.93
TCP/Britco	111.40/50.53

ISO Weans $20.90 US Avg.

Feeder Pigs $23.44 US Avg.

#1 Export Sows (+500lbs.)
$20.00/cwt. (Tagged)

Forward contract prices opened lower this morning. *US cash markets broke lower in yesterday's trade, pressured by the abundant hog supplies available in all reporting regions. Smithfield's Tar Heel facility continues to have difficulty recovering from the flood event caused by Hurricane Matthew; the plant did not operate for 3 days last week and there is talk that it will not be operating on Saturday. In spite of this, the industry is still expected to slaughter more than 2.52 million hogs and possibly post a new record for the most hogs processed in a week. Wholesale pork prices dropped more than $2.00 USD/cwt yesterday, pressured by weaker ham prices as processors start wrap up their Thanksgiving inventory build-up. Any further weakness in the carcass cut-out will likely take prices to the lowest level in 2016, but still leave packers with excellent operating margins. Lean hog futures are seeing more volatility recently, and are seeing pressure today, from the lower pork cut-out. However, current forward prices for the late December – early January timeframe represent fair value given the possibility of a price collapse caused by slaughter capacity constraints.*

Canadian delivered soymeal prices opened even this morning. *US soybean futures are back 'up' following three sessions of pressure. Analysts are attempting to highlight the idea that large volumes are likely coming to market ahead of next Wednesday's WASDE report, but the demand story remains a dominant (and offsetting) theme. Pre-report yield estimates are starting to trickle out and at least one private firm has suggested 52.8 bpa as a starting point. However, there are still some suggesting 53+ bpa is likely, which would put ending stocks near 525 million bushels (compared to the 395 currently on record and 425 million last year). Ultimately, 53+ bpa is needed for any substantial price pressure to develop, but confirmation of a large yield on either side near 53 bpa will likely limit the upside.*

US corn futures opened higher this morning. *The support in the US corn futures trade appears somewhat odd considering the fundamental outlook appears bearish and some weakening basis in Omaha is indicating that harvest pressure is really starting to gain momentum. As well, a private analytics firm has suggested corn yields to once again eclipse 175 bpa, suggesting a yield revision in Wednesday's WASDE report (if there is one) will be higher. There is some chatter that export and ethanol demand has picked up recently somewhat, but the demand picture for US corn is currently not as dramatic as that seen in the soybean trade.*

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #5		101.80 107.52	103.75 110.99	116.53 122.20	123.33 127.67	131.46 143.66	149.33 164.65	161.15 170.44	165.06 171.55	159.10 168.79
Soymeal Wpg Del.	446	446	465	468	468	477				

h@ms 2016 Fall Marketing Meeting Schedule

Meeting	Date and Time	Location
Lethbridge, AB	Thursday, Nov. 3 - 12:00 Noon	TODAY -The Coast Hotel & Conference Centre - TODAY
Starbuck, MB	Thursday, Nov. 10 - 2:00 PM	Starbuck Community Hall - 25 Main Street