



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 07, 2016

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

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

US Slaughter	
438,000	Tuesday
439,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$50.21
National	\$54.35
Iowa/S. MN.	\$50.20
Signature 5	\$125.17
HyLife	\$126.95
TCP/Britco	\$121.93
4-Mo. Sig5 Fwd	\$135.78
BoC Rate (Noon) prev. day \$1.3281 CAD / \$0.7530 USD	
Cash Prices Week Ending December 3, 2016	
Signature 3	109.03/49.46
Signature 4	122.70/55.66
Signature 5	115.86/52.55
h@ms Cash	114.36/51.87
HyLife	122.26/55.46
TCP/Britco	102.50/46.49
ISO Weans	\$37.82 US Avg.
Feeder Pigs	\$38.52 US Avg.
#1 Export Sows (+500lbs.)	\$22.00/cwt. (Tagged)

Forward contract prices opened higher this morning. US negotiated cash markets gained more than \$2.00 USD/cwt in most regions, marking the largest one-day gain in months. Packers who own a significant percentage of their hogs are likely driving the recent gains as they have an incentive to bid up the cash market because it will have a more modest impact on the cost structure of the whole company, thereby increasing profitability. Yesterday, the USDA reported October pork export volumes gained about 9% over year ago levels with Mexico making the largest contribution. However, it is important to note that the Mexican Peso has lost close to 8% of its value against the US Dollar since those sales were completed, making it more difficult to sustain these gains. With the cash market support and confirmation of good October exports sales, lean hog futures made strong gains in yesterday's trade and 2017 forward contracts are now trading at their highest level in three months today. There is still significant uncertainty relating to the first six weeks of 2017 due to record large supplies and production, and producers should consider pricing a portion of their intended production in this timeframe.

Canadian delivered soymeal prices opened lower this morning. It is being reported that US soybean futures have tested recent resistance (high) levels yesterday, implying that the market may have reached a short term high for now. Demand strength is believed to be priced in to the market currently and there are expectations that the WASDE report will confirm higher demand when it is released on Friday. However, the South American weather premium is a bit more uncertain; yield is not yet threatened, but traders will be watching for signs of crop stress if the dry spell continues in Argentina after planting wraps up. Canadian meal prices are down ever-so-slightly, a function of the recent turn lower in the futures market and some recent strength in the Canadian dollar.

US corn futures opened lower this morning. Despite assertions in the ag press that US corn futures are at their lowest levels in years, the recent rally in the corn market was at its highest levels since early November. The recent support has been a function of some demand (suspected from Brazil) and some new sales announcements to South Korea. The market will be watching if more global orders come in especially if Argentina starts to struggle with weather related production issues. Also supportive is evidence of strong ethanol export demand which was at its highest monthly pace since December 2011. Nonetheless, there are thoughts US farmers are holding sales amid the relative lows.

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		116.48 123.64	129.14 134.75	133.00 137.30	141.05 153.24	156.83 172.01	168.54 177.75	170.84 177.46	164.73 174.34	149.37 157.84	146.50 149.37
Soymeal Wpg Del.	461	462	468	468	488	488					

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WINNIPEG LIVESTOCK
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