



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

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, December 09, 2016

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

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Forward contract prices opened mostly lower this morning.

US cash markets continued their very strong gains this week, adding more than 15% of their value over the previous week even as hog supplies show no signs of moving away from the record-large slaughter pace. While still moving higher, wholesale pork prices do not reflect the same unseasonal support; the pork carcass cut-out is up 3.5% on the week. Those pork production companies that have most of the hogs sourced from within the company are at a competitive advantage compared to packers with no hog production assets. Lean hog futures opened lower this morning, with traders believing that the premium the futures contracts hold over cash prices is larger than what current fundamentals can support. The Canadian Dollar is trading at its highest level since mid-October, applying some downward pressure on Canadian cash and forward prices. However, Jan-Feb forward contract prices are still trading at their highest level since the summer and represent a good opportunity for producers to secure prices at these favorable levels while there is still significant cash market uncertainty related to record hog supplies and export markets.

Canadian delivered soymeal prices opened higher this morning.

Today the USDA will release the December WASDE report at noon, Eastern. There are expectations that the report will show export demand has increased, but by only about 10 MMT according to pre-report estimates. Cumulative sales numbers support strong demand longer term and are at 77.4% compared to the 73.7% five-year average. Regardless of these developments, chatter in the marketplace suggests a prolonged dry spell and concerns over supply from Argentina may prove to be more of a market influencer than USDA reports. In the meantime, pre-report estimates show average ending stocks at 474 million bu, down slightly from November's 480 million bu.

US corn futures opened higher this morning. The US corn market continues to be subject to bearish influences and there is talk that the pressure will not be relieved until demand improves. Today's WASDE report is expected to show that ending stocks will marginally increase from 2.403 to 2.414 billion bu. at current supply and demand levels. That is a lot of corn that must clear the market and there are additional thoughts that farmers are not incentivized to sell amid the lows, potentially exacerbating the supply issue if true. Brazil's crop agency (CONAB) has stated production from its first crop will be up to 27.7 MMT from 25.8 MMT last year.

| US Slaughter | |
|---|------------------------|
| 443,000 | Thursday |
| 439,000 | Thursday (year ago) |
| Daily Prices | |
| W. Corn Belt | \$53.85 |
| National | \$56.07 |
| Iowa/S. MN. | \$53.85 |
| Signature 5 | \$131.04 |
| HyLife | \$130.78 |
| TCP/Britco | \$130.21 |
| 4-Mo. Sig5 Fwd | \$137.95 |
| BoC Rate (Noon) prev. day \$1.3252 CAD / \$0.7546 USD | |
| Cash Prices Week Ending December 10, 2016 | |
| Signature 3 | 122.24/55.45 |
| Signature 4 | 127.99/58.06 |
| Signature 5 | 125.11/56.75 |
| h@ms Cash | 123.61/56.07 |
| HyLife | n/a |
| TCP/Britco | 111.15/50.42 |
| ISO Weans | \$37.82 US Avg. |
| Feeder Pigs | \$38.52 US Avg. |
| #1 Export Sows (+500lbs.) | \$22.00/cwt. (Tagged) |

| Fixed Forward Range (at opening) | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
|-------------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #5 | | 119.48 126.60 | 132.07 137.65 | 134.63 139.14 | 142.87 154.76 | 157.70 172.78 | 169.34 178.48 | 171.34 178.19 | 165.58 175.14 | 151.88 160.62 | 149.04 151.88 |
| Soymeal Wpg Del. | 460 | 462 | 467 | 467 | 488 | 488 | | | | | |

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