



Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, December 21, 2016

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

www.hamsmarketing.ca

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

Forward contract prices opened lower this morning. US cash markets came under pressure in yesterday's trade with the abundant hog supply providing packers with the hog inventory that they need to meet their reduced slaughter schedule over the next week. The pork carcass cut-out has made a counter-seasonal rally over the last three weeks and has taken the benchmark wholesale pork price to its highest level since mid-September. The USDA's Quarterly Hogs and Pigs report for Q4 2016 is due to be released on Friday afternoon and should help to provide some insight on future hog supplies. It is likely that the USDA will make some significant revisions to past reports, representing the unexpected increase of about 4.5% over last year's market hog supply since early September. Curiously, the pre-report survey of industry analysts puts the average estimate of market hog inventory to be delivered over the next 6 weeks at only 2% higher than year ago levels. The report may serve as a pivot point for the nearby contracts that are currently holding a premium to the cash market that is more than double that of the 5-year average. As a result, producers should consider pricing as much as 50% of their intended production for the first 3 months of 2017 at current prices.

Canadian delivered soymeal prices opened lower this morning. After a couple days of bearish pressure stemming from a discounted South American weather premium, US soybean futures have found some footing this morning and are trading higher as of this writing. The recent rain and long position liquidation have been cited as factors for the recent move lower, and large production estimates for next year in the US are pressuring further out. However, there is a long time between next year's harvest, and as position exits wrap up, a sharp move lower looks increasingly unlikely. In the meantime, S American production is far from established concretely, and weather patterns in the region will remain a prime market influencer until production becomes more certain.

US corn futures opened lower this morning. Unlike the bean trade, US corn futures continue to come under pressure. Improving weather in S. America, expectations of large production, and the simple fact that there is a lot of corn supply are all pressuring the trade. Further out, there is talk that Brazilian corn production could come in between 84 and 86.5 MMT; recall that last year's production from the region only came in at 66.9 MMT. A bit of supportive news comes from China where it is expected 2017 acreage will be lowered in order to reduce large stockpiles of state reserves. However, China is not a (relatively) large customer of US corn so the impact will likely be minimal even if the cuts materialize.

US Slaughter	
443,000	Tuesday
439,000	Tuesday (year ago)

Daily Prices	
W. Corn Belt	\$52.49
National	\$60.39
Iowa/S. MN.	\$52.21
Signature 5	\$136.06
HyLife	\$142.40
Britco	\$127.74
Thunder Creek	\$136.06

4-Mo. Sig5 Fwd	\$148.70
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BoC Rate (Noon) prev. day \$1.3378 CAD / \$0.7475 USD

Cash Prices Week Ending December 17, 2016	
Signature 3	129.01/58.52
Signature 4	136.97/62.13
Signature 5	132.99/60.32
h@ms Cash	131.49/59.64
HyLife	137.01/62.15
Britco	124.25/56.36
Thunder Creek	125.11/56.75

ISO Weans	\$47.26 US Avg.
Feeder Pigs	\$47.38 US Avg.
#1 Export Sows (+500lbs.)	\$19.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #5		132.39 135.24	140.78 143.84	142.95 145.24	147.22 159.18	159.40 174.69	171.20 180.47	172.88 180.19	167.51 176.00	153.60 162.49	150.72 153.60
Soymeal Wpg Del.	458	450	456	456	480	480					

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance and all pricing is subject to verification. Any unauthorized distribution is strictly prohibited.

Headingley Main Office	h@ms Holiday Schedule	Winnipeg Livestock (WLS)
8:00 - 4:30 - RM closed 1hr early	Friday, December 23	8:00AM – 12 noon
Closed	Monday, Dec. 26 and Tuesday, Dec. 27	Closed
Closed	Monday, January 2	Closed

SPECIAL NOTE: Forward Contracting will be closed 1 hour early on Friday December 23 (11:30 AM)