



Hog Margin Outlook

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Friday, February 27, 2015

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

Forward contract prices opened mixed this morning.

Midwest cash markets were consistently higher every day this week, however the pork cut-out moved consistently lower resulting in a sharp reduction in packer margins. Rarely do the two benchmark prices move in opposite direction as packers typically remain disciplined in protecting their margins. However, unseasonably cold weather may have disrupted this normal relationship, as producers might have delayed marketing's to avoid the cold weather, forcing packers to increase their bids temporarily. Lean Hog futures are trading firmer this morning, but could be at risk of a drop to previous lows given that underlying cash market fundamentals remain weak. Summer month forward contract prices represent good value as the highest weeks hold a \$40/c/kg premium to the current cash market which exceeds the average cash market rally over the next 4 months. Significant price uncertainty remains for the summer and fall timeframe as hog supplies are expected to increase and export sales remain a concern due to the high US Dollar.

Canadian delivered soymeal prices opened higher this morning.

Month end fund selling and net export sales showing 495,400 MT (in line with expectations) are pressuring. As well, there is an estimated \$60 USD premium over Brazil beans that could pressure if the trucker strike comes to an end and beans start to move. However, there is talk that if Chinese interests feel pipelines will be significantly disrupted, they will pay premiums potentially pushing the trade higher next week. There is currently no resolve to the dispute although there are rumors talks will carry forward into the weekend.

Canadian delivered corn prices opened even this morning.

Wednesday's lows ushered in some new buying yesterday and acreage uncertainty over Brazil's Safrinha (second) corn crop have been supportive, but the move higher has subsided to finish the week. Pressure comes from the relatively high USD and competition from other exporters; despite unrest in the Ukraine, grain is still making its way to market. Export sales have also backed off coming in under expectations, but sales are currently at 78.3% of USDA projections (73.6% 5-yr average) keeping the trade range-bound for now.

US Slaughter	
423,000	Thursday
421,000	Thursday (year ago)
W. Corn Belt	\$66.24
National Price	\$65.60
Daily Sig 3	\$151.65
Daily Sig 4	\$145.44
Thunder Creek	\$151.86
4-Month Fwd.	\$ 171.97
B of C Ex. Rate (Noon)	
\$1.2490 CAD/ \$0.8006 USD	
Cash Prices Week Ending February 28, 2015	
Signature 3	146.19/66.31
Signature 4	141.32/64.10
h@ms Cash	139.82/63.42
Hylife	n/a
Thunder Creek	131.90/59.83
ISO Weans	\$47.60 US Avg.
Feeder Pigs	\$72.66 US Avg.
#1 Export Sows (+500lbs) \$30.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			142.57 147.15	163.77 178.66	178.66 185.54	181.94 188.24	172.60 183.73	158.84 165.72	146.56 161.46	137.94 143.69	144.27 147.14
Maple Leaf Sig. #4			144.94 148.49	163.36 178.67	178.67 184.22	182.85 187.73	177.25 183.02	160.81 175.03	153.95 162.69	143.26 150.83	148.38 150.83
Soymeal Winnipeg Delivered	527	521	517	517	519	519	506	509			
Corn Wpg, Delivered	201	203									

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2015 District Meetings	Location	Date and Time
Swift Current	Days Inn - 905 N. Service Rd., Swift Current, SK	Tues. March 10, 10:00AM
Saskatoon	Sandman Hotel - 310 Circle Dr. W., Saskatoon, SK	Tues. March 10, 4:00PM
H.B. Marketing and MB West	Headingley C.C. - 5353 Portage Ave, Headingley, MB	Tues. March 17, 2:00PM
Heartland Marketing	Starbuck C.C. - 25 Main Street, Starbuck, MB	Thurs. March 19, 2:00PM
Manitoba East	Smitty's - Clear Spring Centre, Steinbach, MB	Fri. March 20, 12:00 noon