



# Hog Margin Outlook

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Wednesday, March 04, 2015

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

**Forward contract prices opened lower this morning.** US cash markets moved lower for the second day in a row, with packers clawing back some of the cash bid premium they spent the previous week. Hog supplies are abundant, allowing packers to meet their planned production schedules while dropping their cash bids and subsequently improving their operating margins. Hog slaughter averaged about 6% larger than last year for the month of February which far exceeds USDA and private analyst expectations. While some of these hogs were getting pulled ahead of schedule as producers looked to manage their weights, recent expansion in the herd made the larger contribution. Lean Hog futures have pulled back from their recent highs put in earlier this week with summer month contracts down 6%. Once again, the futures market is relying on an improvement in the cash market fundamentals before it will recover to previous highs, perpetuating the choppy trend. Producers should look to cover some of their fall price risk, as hog supplies are expected to weigh heavy on the cash market throughout the Sept-Nov timeframe.

**Canadian delivered soymeal prices opened lower this morning.** Citing dwindling export demand and talk that China is now actively seeking S. American beans, the trade is pressured today on news that the Brazil trucker strike is losing steam amid rumors that less than 10 blockades are up and running, down from over 100 one week ago. However, there is talk of Argentine farmer protests that will temporarily halt old crop sales for export (and their own trucker strike) although these are viewed to be political awareness campaigns and unlikely to materially disrupt distribution networks broadly.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower as the market shrugs off news of suspended Argentine grain sales due to farmer protests and potentially lower production outlooks for major producing regions (US, Brazil, Black Sea) in 2015. As well there is talk that Brazil's Safrinha (second) crop production levels could be lower as a result of late planting. Nevertheless, competition from the Ukraine as well as production outlooks that remain generally favourable (higher for Argentina, lower for Brazil, but among record levels) are pressuring.

US Slaughter	
435,000	Tuesday
404,000	Tuesday (year ago)
W. Corn Belt	\$n/a
National Price	\$n/a
Daily Sig 3	\$n/a
Daily Sig 4	\$n/a
Thunder Creek	\$n/a
4-Month Fwd.	\$ 164.82
<b>B of C Ex. Rate (Noon)</b>	
\$1.2452 CAD/ \$0.8031 USD	
<b>Cash Prices Week Ending February 28, 2015</b>	
Signature 3	146.19/66.31
Signature 4	141.32/64.10
h@ms Cash	139.82/63.42
Hylife	141.73/64.29
Thunder Creek	131.90/59.83
ISO Weans	\$43.79 US Avg.
Feeder Pigs	\$69.42 US Avg.
#1 Export Sows (+500lbs) \$30.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		136.95 141.52	156.23 171.10	171.10 177.96	174.21 180.50	166.77 176.43	153.05 159.91	142.01 155.72	133.41 139.14	139.72 142.58
Maple Leaf Sig. #4		139.48 143.03	156.05 171.33	171.33 176.87	175.34 180.22	171.58 175.94	155.18 169.36	149.51 157.13	138.85 146.40	143.96 146.40
Soymeal Winnipeg Delivered	496	496	496	490	491	489	493			
Corn Wpg, Delivered	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