



# Hog Margin Outlook

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Thursday, March 12, 2015

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

**Forward contract prices opened lower this morning.** US cash markets were lower yesterday with heavy supplies and lower wholesale pork prices contributing to the decline. With abundant supplies, packers attempt to protect their operating margins by cutting their cash bids especially when the price of the pork product comes under pressure. Yesterday, news of a high pathogen virus (H5N2) showed up in an Arkansas turkey flock, which contributed to the weakness in the Lean Hog futures. Traders are concerned about the impact on export sales on chicken and turkey as a result of this disease showing up in the state that is the 3<sup>rd</sup> largest broiler producer in the US. Any trade restrictions placed on the largest chicken-producing states could result in a significant inventory backlog in the US, which would eventually pressure the prices of all competing meats. While the disease is fatal to the flocks it infects, the expected losses are quite limited when compared to the entire US industry. This news is bearish to hog prices as it only serves to exacerbate the current glut in meat supply. Producers should still view the fall month forward contract prices as good value, as they are down only about 7% from their recent highs.

**Canadian delivered soymeal prices opened lower this morning.** A surging US dollar (relative to a basket of currencies) is making US beans less competitive. However, thoughts that S. American strikes and protests are not completely finished as well as some weather concerns are supporting the trade. The combination of the two is influencing a 'risk off' approach to the bean trade, but there is talk that if beans reach \$10.00 USD/bu. on the board, a new round of selling could take place. Currently all beans for the remainder of the year are priced below \$9.90USD/bu.

**Canadian delivered corn prices opened higher this morning.** There are rumors that US feeding operations could be or are poised to bring in corn from European suppliers via the East Coast due to the current lack of US corn's competitiveness relative to alternatives. Demand from the ethanol sector is supportive with production up 8.6% from last year (up 1.4% from last week) as producers have incentives to keep producing. There are already projections for next year's ending stocks estimates coming out as private firms release information; the latest suggests 1.355 billion bu. with a 164 bpa yield and 88.5 million acres.

US Slaughter	
433,000	Wednesday
416,000	Wednesday (year ago)
W. Corn Belt	\$62.06
National Price	\$67.81
Daily Sig 3	\$145.20
Daily Sig 4	\$153.62
Thunder Creek	\$145.00
4-Month Fwd.	\$ 159.52
<b>B of C Ex. Rate (Noon)</b>	
\$1.2764 CAD/ \$0.7834 USD	
<b>Cash Prices Week Ending March 7, 2015</b>	
Signature 3	149.94/68.01
Signature 4	150.55/68.29
h@ms Cash	148.44/67.33
Hylife	150.42/68.23
Thunder Creek	149.40/67.77
ISO Weans	\$43.74 US Avg.
Feeder Pigs	\$71.63 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		134.97 138.46	147.01 162.12	162.12 169.09	166.00 172.40	162.39 170.54	150.24 157.22	140.13 152.66	131.40 137.22	136.64 140.72
Maple Leaf Sig. #4		136.55 140.15	147.20 162.73	162.73 168.35	167.51 172.47	167.40 170.33	152.59 167.01	147.88 154.26	137.05 144.72	141.11 144.72
Soymeal Winnipeg Delivered	503	500	500	496	496	494	493	484	484	484
Corn Wpg, Delivered	206									

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance. Any unauthorized distribution (including email forwarding) of the HMO is strictly prohibited.

2015 District Meetings	Location	Date and Time
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