



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

# Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, March 17, 2015

**Forward contract prices opened higher this morning.** US packers started the week with lower bids Monday as the abundant supplies continue to pressure the whole pork complex. With pork production running approximately 8% over year ago levels for the last two months, packers have been forced to take significant price concessions on their production in order to move the product. However, retailers have been hesitant to give up some of their large profit margins by cutting retail prices, which is preventing a significant increase in domestic consumption that is necessary to trigger a price recovery. Lean Hog futures are reflecting the weak cash market fundamentals but are experiencing some support this morning in part due to the lack of new Avian Flu (H5N2) cases being reported in Missouri and Arkansas where the spread of the disease would pose a risk to US poultry exports. Producers should consider covering some of their summer and fall price risk at current prices as the pork inventory buildup may alter or prevent the normal seasonal rally that the forward prices are currently offering.

**Canadian delivered soymeal prices opened lower this morning.** Support in the soybean complex comes from a slower Brazilian harvest (45% complete v. 51% last year) and news that Argentine production could be lowered by as much as 2.5 MMT due to wet weather. However, S. America as a whole is expected to produce record amounts of beans, adding pressure. As well, a weaker than expected US crush and evidence that exports are starting to wane is also pressuring. Political protests in Brazil are not expected to cause any significant damage to supply chains although local disruptions are likely in the short term.

**Canadian delivered corn prices opened even this morning.** Relatively lower export inspections (44.8% v. 49.6% 5-year average) amid thoughts that US corn is currently uncompetitive versus other suppliers are pressuring the market. As well, thoughts of large crops coming to market as the S. American harvest winds up is negative for the trade. But even though it is extremely early in the season, some traders are eyeing the planting progress in southern states (Louisiana and Mississippi) for clues. Wet weather so far has delayed planting which would be around 20% in Mississippi, compared to 0% this year, according to USDA scouts.

| US Slaughter                                  |                       |
|-----------------------------------------------|-----------------------|
| 418,000                                       | Monday                |
| 388,000                                       | Monday (year ago)     |
| W. Corn Belt                                  | \$59.31               |
| National Price                                | \$66.06               |
| Daily Sig 3                                   | \$138.77              |
| Daily Sig 4                                   | \$149.67              |
| Thunder Creek                                 | \$138.84              |
| 4-Month Fwd.                                  | \$ 165.75             |
| <b>B of C Ex. Rate (Noon)</b>                 |                       |
| \$1.2765 CAD/ \$0.7833 USD                    |                       |
| <b>Cash Prices Week Ending March 14, 2015</b> |                       |
| Signature 3                                   | 145.38/65.94          |
| Signature 4                                   | 152.93/69.37          |
| h@ms Cash                                     | 143.88/65.26          |
| Hylife                                        | 150.84/68.42          |
| Thunder Creek                                 | 149.10/67.63          |
| ISO Weans                                     | \$42.64 US Avg.       |
| Feeder Pigs                                   | \$70.68 US Avg.       |
| #1 Export Sows (+500lbs)                      | \$32.00/cwt. (Tagged) |

| Fixed Forward Range (at opening) | Mar | Apr              | May              | Jun              | Jul              | Aug              | Sep              | Oct              | Nov              | Dec              | Jan    |
|----------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------|
| Maple Leaf Sig. #3               |     | 135.64<br>139.16 | 152.35<br>167.59 | 167.59<br>174.62 | 170.79<br>177.24 | 164.86<br>173.96 | 151.38<br>157.83 | 138.88<br>153.49 | 130.07<br>135.94 | 135.35<br>139.47 | 135.35 |
| Maple Leaf Sig. #4               |     | 139.29<br>140.88 | 152.41<br>168.07 | 168.07<br>173.75 | 172.20<br>177.20 | 169.98<br>173.68 | 153.18<br>167.71 | 146.77<br>155.12 | 135.85<br>143.59 | 139.95<br>143.59 | 139.95 |
| Soymeal Winnipeg Delivered       | 496 | 493              | 493              | 490              | 490              | 488              | 488              | 481              | 481              | 481              |        |
| Corn Wpg, Delivered              | 203 |                  |                  |                  |                  |                  |                  |                  |                  |                  |        |

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| 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 |