



Hog Margin Outlook

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Wednesday, March 25, 2015

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

Forward contract prices opened higher this morning. US cash markets moved another \$0.50/cwt lower in trade yesterday as packers have all the supplies they require to meet their already expanded production schedules. Packer operating margins are estimated at about \$22.00/pig, providing profitable plant operations. However concerns over the massive inventory that needs to be cleared from the market, amid sluggish export sales, could influence packers to push for larger price concessions in the hog market. Lean Hog futures experienced significant volatility yesterday, with some of the nearby contracts losing \$2.00/cwt while the deferred contracts gained over \$3.50/cwt. Increasingly, traders are finding it difficult to factor in a 'seasonal' rally into the summer month contracts as the cash market struggles with the heavy production levels. Producers should view yesterday's rally of close to \$8.00/kg in the fall and winter months as an excellent hedging opportunity, as there is no new information to suggest that production levels will come down in this timeframe.

Canadian delivered soybean prices opened mixed this morning. US soybean futures are trading higher on thoughts that the market is positioning itself ahead of the March 31 reports. Numbers coming out ahead of the Grain Stocks and Prospective Plantings reports show stocks to be estimate between 1.250 and 1.413 billion bu. at March 1, and for planted acreage to be between 83.1 and 88.0 million acres in 2015; acres planted in 2014 were 83.7. Models show that using a 45.5 bpa yield, the lowest acreage estimate, and usage at 3.71 billion bu., ending stocks would be 443 million, i.e. more than the current 385 million bu. estimate.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. As with soybeans, the corn trade is thought to be influenced by pre-report positioning this morning that is likely to remain until the end of the week; the USDA reports will be released next Tuesday. Pre-report estimates show March 1 stocks to be estimated between 7.4 and 7.8 billion bu., up from last year's 7.0 billion at this time, and is pressuring for the short term. However, 2015/16 ending stocks are estimated at 1.231 billion bu. which would be supportive longer term.

US Slaughter	
432,000	Tuesday
417,000	Tuesday (year ago)
W. Corn Belt	\$56.56
National Price	\$63.23
Daily Sig 3	\$129.71
Daily Sig 4	\$140.41
Thunder Creek	\$129.46
4-Month Fwd.	\$ 161.65
B of C Ex. Rate (Noon)	
\$1.2511 CAD/ \$0.7992 USD	
Cash Prices Week Ending March 21, 2015	
Signature 3	138.24/62.71
Signature 4	149.31/67.73
h@ms Cash	136.74/62.02
Hylife	146.89/66.63
Thunder Creek	142.90/64.82
ISO Weans	\$34.69 US Avg.
Feeder Pigs	\$68.67 US Avg.
#1 Export Sows (+500lbs)	\$35.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig. #3			145.10 160.04	160.04 166.93	163.24 169.56	158.76 166.81	148.07 154.96	136.19 150.33	127.57 133.32	132.74 136.77	132.74
Maple Leaf Sig. #4			145.30 160.65	160.65 166.21	164.76 169.66	163.76 166.87	150.40 164.65	143.90 151.92	133.22 140.79	137.23 140.79	137.23
Soymeal Winnipeg Delivered	487	484	484	481	481	480	475	474	474	474	
Corn Wpg, Delivered	207										

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