



Hog Margin Outlook

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Thursday, March 26, 2015

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

Forward contract prices opened mixed this morning.

US cash markets continued on their lower trend, pressured by heavy supplies and concern about building pork inventory. This week's slaughter is on pace for another week of +8% increases over year ago levels with no signs of hog numbers coming down. Earlier in the week the Cold Storage report revealed a glut of supply sitting in freezers, which only served to remind packers to protect their operating margins. However, Lean Hog futures have been experiencing support over the last three days with some analysts suggesting that technical indicators reveal some short term support. The recent rally across all of the summer and fall periods represents a good opportunity for producers to hedge a portion of their production in advance of the USDA's 1st Quarterly Hogs and Pigs report. The table to the right reflects industry estimates for Friday's major report categories. Producers should take note of the wide range in estimates which stems largely from the ongoing impact of PEDv. Lean Hog futures could see significant volatility in reaction to the report, depending on the results.

Hogs and Pigs Report Analysts' Estimates (%)		
	Avg	Range
All Hogs and Pigs	106.8	105.0-108.5
Kept for Breeding	103.6	102.4-104.6
Kept for Marketing	107.2	105.0-109.0
< 50 lbs.	108.6	104.2-110.3
50-119 lbs.	106.8	104.0-109.1
120-179 lbs.	106.1	103.0-108.4
> 180 lbs.	107.0	104.6-108.2
Pig Crop	109.2	104.7-111.2

Source: Thacker, Urner Barry, DLR.

Canadian delivered soymeal prices opened lower this morning.

The demand shift to S. America has taken place and aggressive bids for US beans will likely not materialize until N. American harvest gets underway. However, the trade remains choppy ahead of the Planting Intentions and Grain Stocks reports, pushing lower overnight but shifting higher in the early morning trade. Pre-report positioning is likely influencing market moves at this point as the fundamentals look increasingly bearish in both hemispheres, but export sales released this morning were 200,000 MT above the high expectation, adding support.

Canadian delivered corn prices opened even this morning.

Weather in southern US states where planting would be taking place is persistently wet and pushing the pace back, adding support. Pre-Grain Stocks estimates are bearish showing 7.6 billion bu. in stocks on average compared to 7.0 billion last year, although increased feed usage as a result of livestock expansions (poultry and hogs) is expected to be reflected in the report. Further out, US corn is expected to show relatively smaller ending stocks numbers (~1.3 billion bu.), squeezing the stocks to use ratio, an indication of future price support.

US Slaughter	
435,000	Wednesday
410,000	Wednesday (year ago)
W. Corn Belt	\$56.15
National Price	\$62.93
Daily Sig 3	\$128.79
Daily Sig 4	\$139.77
Thunder Creek	\$128.64
4-Month Fwd.	\$ 163.06
B of C Ex. Rate (Noon)	
\$1.2513 CAD/ \$0.7991 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			146.64 161.53	161.53 168.40	164.59 170.89	160.16 168.18	149.00 155.87	135.67 150.95	127.10 132.81	132.24 136.24	132.24
Maple Leaf Sig. #4			146.77 162.08	162.08 167.62	166.04 170.92	165.08 167.97	151.28 165.48	143.34 152.49	132.71 140.24	136.70 140.24	136.70
Soymeal Winnipeg Delivered	480	477	477	474	475	472	470	467	467	467	
Corn Wpg, Delivered	207										

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