



# Hog Margin Outlook

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Thursday, April 02, 2015

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

**Forward contract prices opened lower this morning.** US cash markets are called steady to higher to close the week ahead of the long weekend. Daily slaughter numbers still remain high, bringing this week's total so far to 1.295 million, 80,000 head higher than last week, but lower than the 1.301 million last year. Wednesday's pork cut-out dropped \$1.50 Tuesday to \$63.41, its lowest level since 2009. The CME lean hog index is also lower by 26¢ relative to the previous session. There are thoughts that lower pork prices and record beef prices combined might just be enough to boost some demand and move more pork along the supply chain. As well, there are estimates that production could fall 425 million lbs. compared to the 281 million lb. drop between Q1 and Q2 last year, the second largest drop on record for this timeframe. All things equal, this would be a boon to the industry and prices would likely be supported. However, last year was anything but typical, and as more and more supply has come into the marketplace due to high weights and slaughter numbers, this 'drop' in production will likely only influence a muted market response. Many analysts maintain the large production volumes and lack of demand will be pressuring, especially in the autumn heading into the New Year, and that rallies are good selling opportunities.

**Canadian delivered soymeal prices opened lower this morning.** Yesterday's session prompted support on talk of potentially more civil unrest in S. America and some weather concerns in the US. The weather is at issue in the Northern and Southern Plains, and areas of the Midwest as high winds and low humidity increase risks associated with fire and the ability for soil to retain moisture. As well, farmers in Brazil are rumored to be reluctant to sell on the relatively low global price for beans leading to a further story suggesting that they could plant ~740,000 fewer acres next season for the same reason.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading in a mixed and choppy pattern to close out the week. Support yesterday was a function of a weakening USD and some recovery in energy markets. Ethanol production was down week to week but up 29.4% over last year. There is talk that a narrowing spread between the Ukraine and US variants could spur some export demand although Argentina remains competitive with an estimated \$6-\$8 USD/MT discount relative to US corn.

US Slaughter	
434,000	Wednesday
407,000	Wednesday (year ago)
W. Corn Belt	\$56.55
National Price	\$61.47
Daily Sig 3	\$130.73
Daily Sig 4	\$137.61
Thunder Creek	\$130.42
4-Month Fwd.	\$166.24
<b>B of C Ex. Rate (Noon)</b>	
\$1.2612 CAD/ \$0.7929 USD	
<b>Cash Prices Week Ending March 28, 2015</b>	
Signature 3	130.38/59.14
Signature 4	140.71/63.83
h@ms Cash	128.88/58.46
Hylife	138.57/62.85
Thunder Creek	136.80/62.05
ISO Weans	\$32.46 US Avg.
Feeder Pigs	\$65.61 US Avg.
#1 Export Sows (+500lbs)	\$38.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig. #3		148.71 163.69	163.69 170.61	168.55 174.89	164.32 172.40	154.17 161.09	144.23 157.21	135.54 141.33	140.75 144.81	140.75
Maple Leaf Sig. #4		148.80 164.21	164.21 169.79	169.92 174.83	169.18 172.87	156.33 170.63	151.79 158.64	141.02 148.65	145.06 148.65	145.06
Soymeal Winnipeg Delivered	487	487	485	486	482	481	482	484	484	
Corn Wpg, Delivered	198									

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**Important Notice:**

h@ms Marketing Services will be closed Friday, April 3rd to observe Good Friday. Risk Management and the General Office will be open Monday, April 6 with a minimized staff.

STRENGTH IN NUMBERS

