



Hog Margin Outlook

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Wednesday, April 08, 2015

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

Forward contract prices opened higher this morning. US cash markets were mixed Tuesday as packers slaughtered an estimated 433,000 hogs compared to 426,000 a week ago. The bump in numbers can be attributed to the holiday that several plants took Monday, leaving more abundant supplies for the remaining slaughter days. Packers are managing their margins by matching gains or losses in the pork cut-out to their cash bids. Summer month Lean Hog futures are trading at a larger than normal premium over the cash market for this time of year. Currently, the June contract is trading about \$17.00/cwt higher than the cash index, while the average premium is typically \$10.00/cwt. This premium is being reflected in current forward prices and producers are in a unique position of being able to secure a seasonal rally of \$40/ckg over the next two months while supplies continue to exceed expectations and export demand remains uncertain at best. Producers without protection should look at covering up to 40% of summer and fall production at current prices.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher after four straight sessions of pressure. However, there is a bearish tone to the market although talk that the global market is (or will soon be) saturated with S. American product suggests that the market has already priced in large production volumes from the south. There are thoughts of more pressure in the longer term as US yield estimates place the 2015/16 crop ending stocks between 473 million bu. (third highest on record) and 624 million bu. Short term support comes from a port fire in Brazil and other transportation-related uncertainties.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Fundamentally, the most recent news adding pressure to the market follows an announcement that China will begin domestic auctions on Thursday, in essence, adding more supply. This combined with the relatively high USD is pressuring the price of US corn this morning. Support comes from preliminary private 2015/16 ending stock estimates suggesting numbers anywhere between 988 million bu. and 2.109 billion bu. amid talk that a significant weather premium could be built into the market if the lower numbers start to look realistic.

US Slaughter	
433,000	Tuesday
416,000	Tuesday (year ago)
W. Corn Belt	\$57.29
National Price	\$61.73
Daily Sig 3	\$131.14
Daily Sig 4	\$136.84
Thunder Creek	\$132.47
4-Month Fwd.	\$167.33
B of C Ex. Rate (Noon)	
\$1.2488 CAD/ \$0.8008 USD	
Cash Prices Week Ending April 04, 2015	
Signature 3	130.72/59.29
Signature 4	138.15/62.66
h@ms Cash	129.22/58.61
Hylife	136.80/62.05
Thunder Creek	129.40/58.70
ISO Weans	\$32.22 US Avg.
Feeder Pigs	\$64.65 US Avg.
#1 Export Sows (+500lbs) \$37.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		162.72 167.72	162.72 171.87	169.69 175.99	164.88 173.47	155.15 160.87	144.01 157.36	135.43 141.15	140.58 144.59	140.58 151.89	151.89
Maple Leaf Sig. #4		163.89 163.89	163.89 171.20	171.19 176.07	170.42 173.30	157.22 169.86	151.43 158.70	140.79 148.32	144.78 148.32	144.78 151.75	153.31
Soymeal Winnipeg Delivered	473	473	473	473	472	470	470	472	472		
Corn Wpg, Delivered	198										

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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