



Hog Margin Outlook

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Thursday, April 09, 2015

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

Forward contract prices opened higher this morning. US

cash markets continued their stable trend this week, with Midwestern regions reporting cash prices near US\$58.00/cwt. With hog supplies abundant, packers have no incentive to increase their cash bids, until wholesale pork prices show signs of seasonal strength. Some analysts anticipate support coming from a reduction in pork production over the next 2 months, as current USDA forecasts suggest one of the largest declines on record. However, this would seem to contradict the trend of fewer pigs lost to PEDv, which has contributed to the larger than expected hog supply recently. Lean Hog futures are maintaining their support so far this week, with modest gains in the summer and fall timeframe, but may not be able to hold the large premium over the current cash without some cash market support. Currently, the summer contracts are trading 70% higher than the average premium experienced at this time of year, providing an excellent hedging opportunity to producers. Producers can guarantee a price rally of \$40/kg over the next two months, averaging a daily price increase of nearly \$1.00/kg per day. With ongoing uncertainty in both hog supply and export sales, producers should look at covering up to 40% of their summer/fall production.

Canadian delivered soymeal prices opened lower this morning.

April's WASDE report will be released today (noon, Eastern), but the general consensus is that this particular report will not offer much in the way of support for the complex even though a small reduction in 2014/15 US ending stocks is expected. Large global supplies, a record Argentine crop (amid thoughts that farmers are finally selling), a high USD, and expectations of Chinese cancellations in upcoming reports are pressuring factors this morning. There is talk Argentina is on pace to produce up to 59MMT compared to the USDA's 56 MMT estimate last month.

Canadian delivered corn prices opened even this morning.

Pressure in wheat and soybeans is helping to pressure the US corn trade ahead of today's WASDE report. Word of a Chinese corn auction is also pressuring US corn on thoughts that there will be less demand for US supplies ahead of the government's sale. The pressure comes from talk that the Chinese Government is holding on to near 80MMT in reserves, a record. Ending stocks estimates range between 1.75 and 1.99 billion bu. but with last month's 1.83 billion bu. figure, a significant deviation, while possible, is unlikely.

US Slaughter	
432,000	Wednesday
406,000	Wednesday (year ago)
W. Corn Belt	\$58.13
National Price	\$61.77
Daily Sig 3	\$133.28
Daily Sig 4	\$137.13
Thunder Creek	\$132.91
4-Month Fwd.	\$169.90
B of C Ex. Rate (Noon)	
\$1.2508 CAD/ \$0.7995 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		164.86 164.86	164.86 174.10	172.03 178.39	169.14 175.50	157.69 163.47	146.39 159.48	137.75 143.51	142.94 146.97	142.94 153.69	153.69
Maple Leaf Sig. #4		166.02 166.02	166.02 173.40	173.53 178.46	172.97 175.32	159.76 172.52	153.81 160.80	143.10 150.69	147.12 150.69	147.12 153.53	155.10
Soymeal Winnipeg Delivered	472	471	471	471	470	470	465	468	468		
Corn Wpg, Delivered	198										

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WINNIPEG LIVESTOCK
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