



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

Hog Margin Outlook

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Monday, April 13, 2015

Forward contract prices opened higher this morning. US cash markets made significant gains in Friday's trade, increasing close to \$2.00/cwt in a number of the reporting regions, the largest one day increase in months. However, wholesale pork prices did not experience the same support, with the pork cut-out finishing the week steady, as most primal cuts are still trading at their lowest levels in years. There is some evidence that the low prices have encouraged pork exports over the last month, with sales in the first week of April to China and Korea in particular spiking higher. While relatively new, the weekly pork export sales reports have not proven very reliable, but are helpful in identifying trend changes in a more timely manner. Lean Hog futures opened higher this morning, reflecting the recent cash market strength. However, the large premiums with which the summer and fall month contracts are trading to the cash market make them vulnerable to a pullback. Producers without price protection in the summer and fall should look to cover up to 40% of their production at current forward prices, as supplies remain stubbornly high and export sales uncertain.

Canadian delivered soymeal prices opened lower this morning. Bearish fundamentals remain a pressuring force in the mid to long term and preliminary production estimates for the 2015/16 season are already starting to come out. So far, ending stocks for next season are estimated as high as 621 million bu., a record based on last year's yields and an expectation that planted acres could jump by another 2 million acres relative to the latest planting intentions. However there is a lot of time (and weather) between now and harvest so current estimates are speculations only. Currently, US meal prices are at their lowest levels since last October in some regions.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Expected delays in planting as a result of moisture in some planting regions, pushing into Kentucky (which saw 2.8 inches of rain last week; ~1 inch above normal for this time of year) is supportive. However, large production volumes from S. America and no significant logistical issues (yet) in the region are pressuring. As well, USD strength is still incenting world buyers to look at alternative sources as US corn remains at a price disadvantage amid the high dollar. There is talk some key technical support levels could be reached soon, keeping the lows in check.

US Slaughter	
2.188 mil.	Last Week
2.015 mil.	Last Week (year ago)
W. Corn Belt	\$60.92
National Price	\$62.06
Daily Sig 3	\$140.64
Daily Sig 4	\$138.75
Thunder Creek	\$140.58
4-Month Fwd.	\$173.86
B of C Ex. Rate (Noon)	
\$1.2595 CAD/ \$0.7940 USD	
Cash Prices Week Ending April 11, 2015	
Signature 3	132.43/60.07
Signature 4	136.77/62.04
h@ms Cash	130.93/59.39
Hylife	136.18/61.77
Thunder Creek	131.00/59.42
ISO Weans	\$34.56 US Avg.
Feeder Pigs	\$65.11 US Avg.
#1 Export Sows (Tagged) \$37.00/cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		170.30 170.30	170.30 179.55	177.16 183.52	169.76 179.13	159.92 165.71	148.73 162.19	140.06 145.84	145.26 149.31	145.26 156.41	156.41
Maple Leaf Sig. #4		171.29 171.29	171.29 178.68	178.50 183.43	175.14 178.84	161.92 174.69	157.85 163.45	145.37 152.99	149.40 152.99	149.40 154.18	157.75
Soymeal Winnipeg Delivered	463	462	462	463	462	462	459	463	463		
Corn Wpg, Delivered	198										

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