



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

Hog Margin Outlook

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Thursday, April 16, 2015

Forward contract prices opened lower this morning. US cash markets made marginal gains yesterday, as packers are maintaining a production schedule of more than 430,000 hogs per day. Slaughter ready supplies continue to exceed the USDA's most recent expectations, reflecting growth in the breeding herd and fewer losses from PEDv about six months ago. The effect on the market has been a delay in the typical spring rally that, in the past, was driven largely by tighter hog numbers. Lean Hog futures were unable to hold their larger-than-average premium to the cash market yesterday, dropping the permissible daily limit in the summer month contracts. Further exacerbating the weakness in hog futures, the Canadian Dollar climbed by two cents to trade at its highest level since mid-January. The effect on summer and fall month forward prices has been a dramatic \$8.00/ckg decline over the last day, eliminating all of the gains experienced over the last two weeks. In order for the futures to maintain their current value and recover some of their losses, sustained cash market support is required.

Canadian delivered soymeal prices opened lower this morning. The general consensus is recent support is a short term bounce in a trade that is widely thought to exhibit bearish fundamentals in the mid to longer term. There is talk that soybeans have been oversold recently, so the news that crush levels were above expectations is enough to trigger short covering and other technical repositioning. However, demand has shifted to S. America where production estimates keeps getting bigger; Rosario Grains Exchange (Argentina) has estimated production at 59 MMT, up from a 58MMT earlier estimate and higher than the USDA's 57 MMT.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower despite some supportive factors including planting delays in the Ohio River Valley and returning strength in energy markets. However, there is talk that the three "I" states in the Corn Belt could see an uptick in field activity amid improving weather. Weekly exports came in slightly higher than trade estimates, but still within expectation at 588,000MT, and are considered neutral. Weaker corn usage in ethanol production relative to last year (and last week) is pressuring as is news of increasing production estimates in Argentina.

US Slaughter	
431,000	Wednesday
412,000	Wednesday (year ago)
W. Corn Belt	\$62.90
National Price	\$63.69
Daily Sig 3	\$142.72
Daily Sig 4	\$139.94
Thunder Creek	\$142.45
4-Month Fwd.	\$162.67
B of C Ex. Rate (Noon)	
\$1.2379 CAD/ \$0.8078 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) \$36.00/cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		157.47 157.47	157.47 166.47	165.66 171.29	161.38 167.57	152.75 158.38	141.91 154.77	133.48 139.10	138.54 142.47	138.54 148.70	148.70
Maple Leaf Sig. #4		158.04 158.04	158.04 165.23	165.98 170.77	164.01 167.00	154.13 166.57	148.53 155.43	138.07 145.48	141.99 145.48	141.99 147.92	149.44
Soymeal Winnipeg Delivered	454	452	452	453	451	450	449	453	453		
Corn Wpg, Delivered	198										

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