



Hog Margin Outlook

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Friday, April 17, 2015

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

Forward contract prices opened mixed this morning. US

cash markets are finishing the week with slightly lower bids, but are maintaining most of the early week's gains. Daily hog slaughter was near unchanged over the course of the week as an estimated 431,000 hogs slaughtered per day should result in the week's total of close to 2.25 million hogs. The persistent heavy supply continues to put pressure on wholesale pork and cash hog prices with packers passing on the market's signals amid relatively tight operating margins. In recent history, cash hog prices typically climb about US\$7.00/cwt or 12% from April to June, reflecting the trend of fewer hogs and summer grilling demand. However, current Lean Hog futures are holding a premium over the cash market of close to double the 'normal' level at a time when both pork and chicken supplies are abundant. The market is heavily reliant on export sales to clear the pork inventory from the domestic market and exporters are struggling with a high US Dollar which impacts competitiveness. Producers should look to cover up to 40% of their remaining 2015 production at current prices to ensure profitable margins and price certainty on some of their production.

Canadian delivered soymeal prices opened higher this morning.

South American production volumes are expected to be among record levels and keep getting larger. However, there is talk that Argentine farmers are still hoarding beans as a currency hedge; purchases of silo bags are up and could result in significant amounts of product being stored for up to 3 years. But measures by the Argentine government to incite farmer selling (to recoup lost tax revenue) could mean a sudden influx of beans at an as yet undisclosed time. Meal sees some support, but is partially offset by the higher CAD for Canadian buyers.

Canadian delivered corn prices opened lower this morning.

Pressure from wheat and soybeans is pressuring along with some lacklustre ethanol and export data. Decent volumes from S. America are also adding competition to the US variants and are pressuring the trade as global buyers look southward for supplies at this time. However, there is more talk of planting delays due to wet weather in the US south, and a not insignificant amount of chatter suggesting that even though it is early in the season, if the delays persist, US farmers could switch acreage, tightening ending stock estimates in 2015/16.

US Slaughter	
431,000	Thursday
419,000	Thursday (year ago)
W. Corn Belt	\$62.73
National Price	\$64.64
Daily Sig 3	\$140.35
Daily Sig 4	\$140.05
Thunder Creek	\$140.04
4-Month Fwd.	\$162.15
B of C Ex. Rate (Noon)	
\$1.2206 CAD/ \$0.8193USD	
Cash Prices Week Ending April 18, 2015	
Signature 3	142.07/64.44
Signature 4	139.61/63.33
h@ms Cash	140.57/63.76
Hylife	n/a
Thunder Creek	134.80/61.14
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		157.38 157.38	157.38 166.32	164.04 170.18	160.51 166.65	152.58 158.17	142.08 154.85	133.70 139.28	138.72 142.63	138.72 148.76	148.76
Maple Leaf Sig. #4		157.92 157.92	157.92 165.06	164.91 169.66	163.11 166.68	153.92 166.25	148.64 155.47	138.66 145.58	142.12 145.58	142.12 147.95	149.46
Soymeal Winnipeg Delivered	456	455	455	455	453	452	449	453	453		
Corn Wpg, Delivered	188										

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