



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

Hog Margin Outlook

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Monday, April 20, 2015

Forward contract prices opened lower this morning. US cash markets are expected to open steady this morning, even as hog supplies remain abundant for most US packers. Last week's slaughter was estimated to be 12% larger than the same week last year, reflecting a trend that was not anticipated until June. The pork cut-out moved higher last week, largely due to gains in the ham primal value and pork trimmings. The improvement in packer profitability has packers willing to sustain their cash bids at current levels, but any weakness in wholesale pork prices or sales volumes could trigger lower cash prices. Lean Hog futures were unable to hold gains made early last week, and moved sharply lower as traders are having an increasingly difficult time rationalizing the huge premium that the summer month contracts hold to the current cash market. The most recent CFTC Commitment of traders report had the funds increase their net long position slightly, but their position remains among the smallest it has been in months. The possibility of a muted seasonal rally in hog prices appears likely given the heavy supplies, producers should look to cover some of their price risk by hedging up to 40% of their remaining 2015 production.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. Support is a function of talk that if resistance levels are breached, more short covering could materialize. As of this writing, the nearby contracts have passed the lower resistance level (resistance is estimated between \$9.73 1/2 and \$9.77 3/4 USD/bu.) and are showing support on positive technical indicators. As well, there are thoughts that the bean market is oversold despite expectations of massive volumes coming to market from both S. America (near term) and the US. However, the general consensus is that support will be relatively short lived.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower although there is talk that slow farmer selling and some cash market stability could prove to offer some support. As well, there is increasing talk that a potentially large weather premium could be built into the trade shortly as the cushion of 2014/15 ending stocks could be lowered and the 2015/16 season will likely result in lowered production as planted acreage could shift. Despite this, corn will likely see more pressure until such time that actual planting estimates come in, demand picks up, energy prices recover, the USD softens or any combination of these factors materializes.

US Slaughter	
2.243 mil.	Last Week
2.003 mil.	Last Week (year ago)
W. Corn Belt	\$61.88
National Price	\$65.12
Daily Sig 3	\$138.71
Daily Sig 4	\$141.35
Thunder Creek	\$138.60
4-Month Fwd.	\$161.27
B of C Ex. Rate (Noon)	
\$1.2229 CAD/ \$0.8177 USD	
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	139.75/63.39
Thunder Creek	134.80/61.14
ISO Weans	\$34.19 US Avg.
Feeder Pigs	\$66.10 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			156.91 165.88	164.18 170.36	160.25 166.43	151.38 157.00	141.46 153.87	133.03 138.65	138.09 142.02	138.09 148.98	148.42 149.54
Maple Leaf Sig. #4			157.48 164.65	165.08 169.86	162.90 165.73	152.79 165.19	148.09 154.56	138.07 145.04	141.56 145.04	141.56 148.19	149.72 150.81
Soymeal Winnipeg Delivered	461	460	460	461	459	457	454	457	457		
Corn Wpg, Delivered	188										

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