



Hog Margin Outlook

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Wednesday, April 29, 2015

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

Forward contract prices opened mixed this morning. US

cash markets added to Monday's gains by increasing bids another \$2.00 in the Midwestern regions Tuesday. With the higher cash bids, packers have been able to secure daily slaughter numbers around 430,000, which is on pace for a weekly total of 2.16 million hogs. While the recent gains in the pork cut-out have been less than half of the gains seen in the cash market, the pork cut-out hit its highest level in more than 2 months. Pork should have an advantage at the retail level over both beef and chicken as prices have dropped on some products by 10% over the last month, reflecting the heavy supplies. But retailers have been slow to pass the savings on to consumers as they are currently benefitting from their highest margins in years. Lean Hog futures have benefitted from the recent cash market support, with summer month contracts trading at their highest level since early March. These gains are not all being reflected in forward contract prices as the Canadian Dollar has climbed 4 cents against the US Dollar over the past 2 weeks, influencing prices negatively by about \$9.00/ckg. The Canadian Dollar has found support in part from oil prices maintaining their value at better than \$55/barrel for the last 3 weeks.

Canadian delivered soymeal prices opened lower this morning.

Pressuring factors for US beans include good harvest progress in S. America (Argentina at about half and Brazil is at 91%), good planting weather in the US, and continued talk that soybean acreage could increase as a result of wet weather earlier in the planting season (with caveats, see below). An increase of 1 million acres (from USDA estimates) yielding 46 bpa and steady disappearance could mean 2015/16 ending stocks get pushed over 500 million bu. Support comes from slow Argentine farmer sales and decent meal markets amid good US crush margins.

Canadian delivered corn prices opened even this morning. US

corn futures are trading higher. After trading under pressure (with only sporadic support) since the beginning of the New Year, there is talk that the corn trade has found its bottom or at least found some technical support for now. However, there is also talk that decent weather ahead in the US will ramp up the corn planting considerably and that farmers may now not switch to soy acres in the numbers previously thought as the weather improves. There is also talk that the corn soybean ratio might not be high enough to lure acres to the oilseed crop.

| US Slaughter | |
|--|--------------------|
| 429,000 | Tuesday |
| 415,000 | Tuesday (year ago) |
| W. Corn Belt | \$68.46 |
| National Price | \$67.62 |
| Daily Sig 3 | \$150.85 |
| Daily Sig 4 | \$144.28 |
| Thunder Creek | \$150.62 |
| 4-Month Fwd. | \$166.03 |
| B of C Ex. Rate (Noon) | |
| \$1.2021 CAD/ \$0.8319 USD | |
| Cash Prices Week Ending April 25, 2015 | |
| Signature 3 | 140.41/63.69 |
| Signature 4 | 142.76/64.76 |
| h@ms Cash | 138.91/63.01 |
| Hylife | 142.15/64.48 |
| Thunder Creek | 141.60/64.23 |
| ISO Weans | \$34.19 US Avg. |
| Feeder Pigs | \$66.10 US Avg. |
| #1 Export Sows (Tagged) \$27.00 cwt. (+500lbs.) | |

| Fixed Forward Range (at opening) | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb |
|----------------------------------|-----|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | | 163.99 172.76 | 170.60 176.64 | 161.66 173.08 | 152.32 157.81 | 141.93 155.04 | 133.66 139.17 | 138.62 142.48 | 138.62 148.19 | 147.63 148.74 |
| Maple Leaf Sig. #4 | | | 163.58 170.59 | 170.52 175.20 | 165.48 171.43 | 152.93 165.05 | 149.60 154.94 | 137.86 144.69 | 141.28 144.69 | 141.28 146.71 | 148.21 149.29 |
| Soymeal Winnipeg Delivered | 452 | 450 | 449 | 449 | 446 | 444 | 441 | 441 | 441 | | |
| Corn Wpg, Delivered | 191 | | | | | | | | | | |

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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