



Hog Margin Outlook

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Monday, May 04, 2015

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

Forward contract prices opened mixed this morning. US cash markets surged higher last week gaining close to 20% in value in just 6 trading days. Hog supplies have been tightening from levels seen in mid-April, with last week's slaughter estimated at 2.164 million hogs or only about 7.5% larger than the same week last year. Tighter supplies do not fully explain the recent cash market rally, as pork inventory remains higher as compared to recent years. In addition, while wholesale pork prices have been trending higher, the gains have lagged the cash market significantly, experiencing a rally of 1/3 the magnitude of packer bids in the last week. Lean Hog futures are cautious about adding to the premium that they hold over the cash market, as traders had largely factored in the recent cash market move into futures values. The current price of June futures contracts have an additional \$7.00/cwt premium over the current cash market, which exceeds the typical rally seen over this timeframe. The recent strength in the Canadian Dollar has moderated the effect of higher US hog prices, as our currency finds support from more stable oil prices and more optimistic projections from the Bank of Canada on Canada's economy.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher. Observing the charts since November 2014, the new crop trade has been in a downward trend with only a few rallies noted. However, there is talk surfacing this morning that key support levels will likely not be breached, and with word of excellent progress made by corn planters last week (expectations for this week are similar), it is also likely the bean acres that were expected to come from corn will not materialize to the degree first expected, adding support.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. The downward trend is expected in the short term on cooperative weather, bird flu concerns, and a brisk planting pace that is expected to be reported in today's Crop Progress report (released after trading at 4PM, Eastern). However, there is also talk that key technical indicators are pointing to a reversal and that the bottom of the market may soon be reached. As well, there is a lot of time (and weather) between now and harvest; if yield estimates start to dip below 160 bpa, the market is likely to react with some support.

US Slaughter	
2.129 mil.	Last Week
1.993 mil.	Last Week (year ago)
W. Corn Belt	\$74.77
National Price	\$70.56
Daily Sig 3	\$167.10
Daily Sig 4	\$152.70
Thunder Creek	\$167.10
4-Month Fwd.	\$169.27
B of C Ex. Rate (Noon)	
\$1.2192 CAD/ \$0.8202 USD	
Cash Prices Week Ending May 2, 2015	
Signature 3	152.94/69.37
Signature 4	145.11/65.82
h@ms Cash	151.44/68.69
Hylife	145.60/66.04
Thunder Creek	141.40/64.14
ISO Weans	\$41.05 US Avg.
Feeder Pigs	\$62.78 US Avg.
#1 Export Sows (Tagged) \$27.00 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		168.22 177.11	173.66 179.78	164.65 176.06	155.20 160.76	144.70 157.46	136.05 141.62	141.06 144.95	141.06 151.27	150.71 151.83
Maple Leaf Sig. #4		167.74 174.85	173.55 178.29	168.49 174.37	155.78 168.06	151.94 157.33	140.26 147.16	143.71 147.16	143.71 149.74	151.25 152.34
Soymeal Winnipeg Delivered	449	446	446	443	441	437	437	437		
Corn Wpg, Delivered	191									

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