



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

Hog Margin Outlook

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Thursday, May 07, 2015

Forward contract prices opened higher this morning. US cash markets added to their recent gains yesterday with Midwestern regions reporting cash bids \$1.00/cwt higher than Tuesday's trade. Gains over the last month have exceeded US\$20/cwt or approximately 35% of their value, more than double the normal seasonal move of the cash market. While hog supplies have been trending lower, some traders are pointing to a dramatic improvement in export volumes as being the primary factor driving cash prices higher. Approximately 6 months ago, the volume of monthly pork exports dropped to its lowest level in 3 years, as a high US Dollar and high pork prices made US pork uncompetitive compared to alternatives. March pork export figures show the start of a recovery in export sales with nearly a 20% gain in volume compared to February's sales. While exports are still down nearly 10% from year ago levels, the recent improvement has provided support to both the cash and futures markets. Producers should consider covering some of the summer and fall price risk as the recent rally has provided a good hedging opportunity in a market that threatens to be choppy for the next several months.

Canadian delivered soymeal prices opened higher this morning. The US soybean complex is mixed this morning following export sales data showing decent demand for meal and negative demand for new crop beans (by virtue of cancelations). Adding to the mixed trade are thoughts that old crop beans are tightening in the US, contrasted with growing production estimates coming from S. America. Adding to the uncertainty are recent bouts of labour actions in S. America (recently from Argentina) from truckers to port captains to dock workers that appear to be leveraging their ability to disrupt supply chains at a critical time when crops are moving to market.

Canadian delivered corn prices opened even this morning. A number of factors are weighing on the trade this morning including decent crop progress last week, evidence of weak demand from ethanol producers, and rumors that Chinese farmers could produce 7.6% more corn than last year's 232 MMT crop. As well there is talk that traders expect ending stocks to increase to 1.864 billion bu. from 1.827 billion in next week's WASDE report on relatively weak demand. However, there are thoughts the market is in an oversold position and expectations of short covering ahead of the WASDE report could be supportive.

US Slaughter	
422,000	Wednesday
408,000	Wednesday (year ago)
W. Corn Belt	\$77.54
National Price	\$74.79
Daily Sig 3	\$170.68
Daily Sig 4	\$159.41
Thunder Creek	\$170.33
4-Month Fwd.	\$173.56
B of C Ex. Rate (Noon)	
\$1.2009 CAD/ \$0.8327USD	
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)	\$24.00 cwt. (+500lbs.)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		174.25 183.16	178.40 184.54	167.02 181.19	158.10 163.12	145.40 159.13	137.62 142.62	142.06 145.95	141.97 150.83	150.28 151.38
Maple Leaf Sig. #4		172.73 179.84	177.30 182.05	170.38 178.49	157.63 169.95	150.70 158.51	140.37 147.25	144.24 147.68	144.24 148.85	150.35 151.42
Soymeal Winnipeg Delivered	451	447	447	444	442	436	437	437		
Corn Wpg, Delivered	191									

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