



Hog Margin Outlook

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Monday, May 11, 2015

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

Forward contract prices opened mixed this morning. US cash markets finished last week's trade \$5.00/cwt higher than where it started with packers competing for a shrinking supply of live hogs. Last week's slaughter was estimated at a mere 2.11 million hogs, only 5% larger than last year's PEDv constrained slaughter. While the seasonal trend in hog supplies is typically lower at this time of year, many trade participants did not anticipate supplies of live hogs to come down so fast. While the USDA anticipated supplies to be 6% higher than last year over April and May, it was only 5 weeks ago when the hog slaughter was running close to 12% higher than 2014 levels. Futures traders remain cautious of fully factoring in the current cash market support, as summer month contracts are trading only \$1.00/cwt better than they were one week ago. Uncertainty remains among the major factors impacting cash hog prices. Hog supplies are expected to grow relative to last year, export demand has improved but higher prices may impede further gains, while domestic chicken prices appear to be heading lower.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading mixed in what is likely pre-WASDE report positioning (tomorrow, 12:00 noon, Eastern). With the exception of the nearby trade, fundamentals remain bearish and it is expected world stocks of the oilseed will be a record 95 MMT compared with the last record of 89.55 MMT set last year. For the US, the trade is expecting a slight drawdown in old crop stocks due to recent demand but the new crop estimates' range is 310 million bu. up to a record high of 582 million bu., a plausible scenario if acreage improves from the earlier Planting Intention estimates, all else equal.

Canadian delivered corn prices opened lower this morning. Technical indicators suggest that the market is oversold and the trade could see some support ahead of tomorrow's WASDE report on short-covering activity. Demand is relatively weak, chatter is starting to ramp up as a result of bird flu, S. American production estimates are rising (again), and the weather has remained largely cooperative for farmers who are busy getting the crop in. There is talk US new crop carryout estimates will likely not be as bearish as old crop (1.864 billion bu.), but the range of new crop estimates is 716 million bu. and the higher estimation could push above 2.2 billion bu.

US Slaughter	
2.111 mil.	Last Week
2.007 mil.	Last Week (year ago)
W. Corn Belt	\$78.93
National Price	\$77.11
Daily Sig 3	\$174.89
Daily Sig 4	\$165.45
Thunder Creek	\$175.03
4-Month Fwd.	\$171.40
B of C Ex. Rate (Noon)	
\$1.2088 CAD/ \$0.8273 USD	
Cash Prices Week Ending May 9, 2015	
Signature 3	169.67/76.96
Signature 4	157.82/71.59
h@ms Cash	168.17/76.28
Hylife	159.26/72.24
Thunder Creek	157.40/71.40
ISO Weans	\$38.88 US Avg.
Feeder Pigs	\$61.01 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		179.35 182.67	176.35 182.45	166.15 179.23	156.73 162.27	145.86 159.18	138.09 143.08	142.53 146.41	142.53 151.87	151.31 152.43
Maple Leaf Sig. #4		173.14 178.50	174.42 179.71	168.63 175.71	155.96 168.20	150.28 157.69	139.96 146.84	143.83 147.27	143.83 149.87	146.87 152.45
Soymeal Winnipeg Delivered	445	442	442	439	437	433	433	433		
Corn Wpg, Delivered	189									

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WINNIPEG LIVESTOCK
Hwy #6 AND RD 236

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