



Hog Margin Outlook

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Tuesday, May 26, 2015

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

Forward contract prices opened higher this morning. US cash markets are called to open steady to lower this week, as packers attempt to lower the live hog costs in an effort to strengthen their operating margins. Friday's wholesale pork trade had buyers pull back their bids for almost all of the primal cuts, resulting from an expected lull in retail pork sales after the US long weekend. However, pork inventory in registered US warehouses has been on the decline, suggesting that the post-holiday weakness may be short lived. The USDA released its Cold Storage report on Friday which showed supplies of pork bellies, loins and ribs lower than year ago levels. The reduction of inventory in these cuts is impressive as hog slaughter has been running 6% larger than year ago levels. The report also showed total ham inventory 66% larger than year ago levels, a factor that could inhibit further gains in the cash market. Futures traders are currently not optimistic about the cash market over the summer timeframe, with current values for the July and August contracts only slightly higher than the current cash index. A weaker Canadian Dollar is helping Canadian cash and forward prices, with the Dollar starting the day close to 70 points lower than Friday's close.

Canadian delivered soymeal prices opened higher this morning. With the weather largely cooperating and no real change to the longer term fundamental outlook, traders are looking to technical indicators for some direction. However, the technical charts are suggesting the trade is in an 'extremely' oversold condition meaning there is an expectation of support in the short term. In this sense, the move higher after the long weekend is not surprising despite bearish fundamental news generally (i.e. expectations of large production volumes in both hemispheres and decent weather outlooks for the new crop so far).

Canadian delivered corn prices opened even this morning. Crop progress will be released later today, but the consensus is that the US corn crop is essentially planted. In any event, the market typically doesn't build in premiums based on crop progress unless the crop is really late, and therefore potentially missing prime weather during the pollination phase and/or exposing it to early frost risk and/or farmers switch acreage en masse. The market will now contend with crop development and logistics issues in S. America until reliable yield estimates for this year's crop start to come in.

US Slaughter	
2.147 mil.	Last Week
1.964 mil.	Last Week (year ago)
W. Corn Belt	\$78.17
National Price	\$82.66
Daily Sig 3	\$176.30
Daily Sig 4	\$180.52
Thunder Creek	\$177.14
4-Month Fwd.	\$171.43
B of C Ex. Rate (Noon)	
\$1.2304CAD/ \$0.8127 USD	
Cash Prices Week Ending May 23, 2015	
Signature 3	179.16/81.27
Signature 4	177.36/80.45
h@ms Cash	177.66/80.59
Hylife	176.03/79.85
Thunder Creek	177.30/80.42
ISO Weans	\$37.97 US Avg.
Feeder Pigs	\$67.66 US Avg.
#1 Export Sows (Tagged) \$27.50 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3			181.30 187.59	172.16 183.75	162.45 168.16	149.23 164.72	140.66 146.37	145.80 149.80	145.62 154.77	149.62 155.34
Maple Leaf Sig. #4			179.33 184.20	174.68 180.15	161.63 174.24	153.80 163.16	143.18 150.26	147.16 150.70	147.16 152.75	153.42 155.41
Soymeal Winnipeg Delivered	450	450	450	443	438	436	435	435		
Corn Wpg, Delivered	187									

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TECHNICAL EXCHANGE and INDUSTRY DISCUSSION

Friday May 29, 2015 - Starbuck Community Hall

Doors Open at 2PM for Registration.

BBQ and More - Featuring: Trent Loos

