



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

Hog Margin Outlook

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Monday, June 01, 2015

Forward contract prices opened lower this morning. US

cash markets are expected to start the week with bids steady to higher compared to Friday's trade. Most packers were operating on Saturday to make up for the lost hours on Memorial Day, resulting in a large weekend slaughter of more than 170,000 hogs. Wholesale pork prices made a late week recovery, with the pork cut-out gaining more than \$2.00/cwt on Friday. However, some of the primal cuts, such as hams and bellies, continue to underperform the normal seasonal trend, resulting in more cautious packer bids. Summer month Lean Hog futures are trading on par with the current cash market, as traders attempt to forecast the summer market. Hog supplies are expected to run approximately 4% higher than 2013 levels, while summer export sales appear to be lagging 2013 levels by about 8. Domestic demand has been difficult to measure due to the extreme influences of the competing protein sources, beef and chicken. The supply of beef has been extremely tight, driving prices to record high levels, while chicken prices have been depressed as supplies are abundant, in part due to lower export sales, as importing countries place restrictions on US chicken to control the risk of transmission of Avian Influenza.

Canadian delivered soymeal prices opened lower this morning.

Oil crushers' strikes in Argentina have concluded after 26 days and thoughts that supply chain activity will be back to normal is pressuring. As well, slow new crop sales (52% of last years' pace), and talk of additional soybean acres could add more pressure if the acreage materializes; there is currently talk that between 1-2 million 'extra' is possible. Weather remains non-threatening in major US growing regions. Old crop export sales are at 102%, of expectations and appear to be the only supportive force ahead of next week's WASDE report.

Canadian delivered corn prices opened lower this morning.

Most in the trade are now focusing on the weather as the primary influence although there was some news from the US's EPA in announcing the long-awaited renewable fuel targets. The targets generally came in lower for biofuels and slightly higher for ethanol compared to previous laws, but the new targets are within market expectations (particularly for corn) so there are thoughts production levels will remain largely unchanged. Decent ethanol sector demand has been supportive recently and while old crop export sales remain respectable for this time of year, new crop sales are 23% below last year's pace.

US Slaughter	
1.856 mil.	Last Week
1.743 mil.	Last Week (year ago)
W. Corn Belt	\$79.69
National Price	\$81.94
Daily Sig 3	\$182.08
Daily Sig 4	\$181.30
Thunder Creek	\$181.83
4-Month Fwd.	\$171.45
B of C Ex. Rate (Noon)	
\$1.2465 CAD/ \$0.8022 USD	
Cash Prices Week Ending May 30, 2015	
Signature 3	180.80/82.01
Signature 4	181.16/82.17
h@ms Cash	179.30/81.33
Hylife	179.45/81.40
Thunder Creek	178.90/81.15
ISO Weans	\$38.55 US Avg.
Feeder Pigs	\$64.93 US Avg.
#1 Export Sows (Tagged) \$27.50 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		183.50 189.83	171.23 183.73	161.45 167.21	149.11 163.90	140.48 146.24	145.66 149.69	145.71 154.88	149.72 155.46
Maple Leaf Sig. #4		181.48 186.38	173.84 180.14	160.69 173.39	153.76 162.39	143.06 150.20	147.07 150.64	147.32 152.87	153.54 155.54
Soymeal Winnipeg Delivered	446	446	438	434	429	429	429		
Corn Wpg, Delivered	170								

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