



Hog Margin Outlook

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Thursday, June 04, 2015

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

Forward contract prices opened lower this morning. US cash markets have drifted lower this week with abundant hog supplies contributing to the bearish trend. US packers are on pace for a slaughter of 2.15 million hogs this week, about 7% larger than the same week in 2013. When combined with significantly heavier hog carcass weights, pork production is up approximately 10% from 2013 levels. If there were no changes to demand over the last two years, it would be reasonable to assume a 25% discount in price from levels seen in 2013. However, domestic and export demand have changed significantly over the last two years due to a stronger US economy and the high price of beef offsetting the negative factors of a strong US Dollar and low chicken prices. The latest pork export figures were released yesterday, with sales volumes up 10% in April from year ago levels. All of the major importing countries showed growth – Mexico (+13%), Japan (+16%), Korea (+41%) and China/Hong Kong (8%). However, traders of Lean Hog futures found the news underwhelming in light of the other market fundamentals, with summer month contracts down more than US\$1.00/cwt this morning.

Canadian delivered soymeal prices opened higher this morning. Despite bearish fundamental indicators, beans are being led higher by oil and meal. For oil, US renewable fuels blending volumes are poised to increase (soy oil is a main component in American biodiesel). For meal, export inspections showed 1.251 million short tons left the US in April, likely a function of the on again/off again strikes in Argentina (Argentina is a main global soymeal exporter). The upside is being kept in check by low Chinese meal prices and large production volumes; a private analytics firm has estimated the Argentine crop at 60 MMT and Brazil at 95.5 MMT. Both figures are approximately 1 MMT higher than current USDA estimates

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Support from the wheat trade, a relatively lower USD and talk of more cuts in US planted acreage due to some late planting and wet weather earlier in the south are supportive. As well, export inspections have been decent on thoughts that US corn is currently competitive in the global marketplace; there are reports US corn is discounted approximately \$5.00 USD/MT compared to the Ukraine, and on par with Argentina. Cooperative weather so far (for the majority of growing regions) and a warmer forecast for most of the Corn Belt is pressuring.

US Slaughter	
418,000	Wednesday
409,000	Wednesday (year ago)
W. Corn Belt	\$80.10
National Price	\$82.16
Daily Sig 3	\$182.59
Daily Sig 4	\$181.36
Thunder Creek	\$182.20
4-Month Fwd.	\$165.87
B of C Ex. Rate (Noon)	
\$1.2436 CAD/ \$0.8041 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)	\$29.00 cwt. (+500lbs.)

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		177.33 183.63	166.09 177.40	156.92 162.08	144.40 158.87	135.79 141.53	140.96 144.98	140.96 152.18	147.02 152.75
Maple Leaf Sig. #4		176.60 181.49	169.94 175.12	156.84 169.50	150.29 158.63	139.61 146.73	143.62 147.18	143.62 150.25	150.91 152.91
Soymeal Winnipeg Delivered	454	454	445	441	435	435	435		
Corn Wpg, Delivered	170								

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