



Hog Margin Outlook

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Monday, June 08, 2015

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

Forward contract prices opened lower this morning. US cash markets are called to open steady to slightly higher this morning, after last week's lower trend. USDA estimated hog slaughter at 2.124 million hogs, 5% larger than the same week in 2013. When you add in the extra pork from heavier carcass weights, pork production was up more than 8% from two years ago. Compared to USDA estimates from the March Hogs and Pigs report, the hog supply for this time frame was anticipated at closer to a 2% increase, with a trend to shrinking numbers. The large discrepancy can likely be attributed to the effectiveness of PEDv vaccine. Traders are looking to the next Hogs and Pigs report released at the end of this month to provide some greater certainty of supply. Summer and fall month Lean Hog futures are trading at a discount to the current cash market, as traders remain concerned about the heavy supply. However, competing meats may play a role in providing some offsetting support, as beef prices remain near record highs and turkey production is down significantly due to losses relating to Avian Influenza.

Canadian delivered soymeal prices opened higher this morning. The WASDE report will be released this week and preliminary trade estimates are starting to trickle out. The old crop ending stocks average estimate is 341 million bu. compared to last month's 350 million. New crop comes in at 483 million bu. as compared to May's 500 million. While these are both relatively large numbers, new crop estimates should be interpreted with a degree of caution as acreage and yield are estimated at this time. USDA's acreage survey report comes out at the end of June with a relative standard error of 1.1% in 2014/15 (quite good).

Canadian delivered corn prices opened higher this morning. Like soybeans, new crop acreage, yield and disappearance will all be assumed variables in this month's WASDE report. Nonetheless, pre-WASDE trade estimates show the market expects an average 1.865 billion bu. in old crop ending stocks and a 1.772 billion bu. new crop ending stocks estimate. The lowered 2015/16 crop is expected but what stands out is a 431 million bu. spread between high and low estimates for the new crop, likely a function of the unknown variables mentioned above which could contribute to some volatility ahead of the report.

US Slaughter	
2.124 mil.	Last Week
1.926 mil.	Last Week (year ago)
W. Corn Belt	\$79.20
National Price	\$82.14
Daily Sig 3	\$181.31
Daily Sig 4	\$182.09
Thunder Creek	\$181.13
4-Month Fwd.	\$ 163.01
B of C Ex. Rate (Noon)	
\$1.2489 CAD/ \$0.8007 USD	
Cash Prices Week Ending June 06, 2015	
Signature 3	182.72/82.88
Signature 4	181.64/82.39
h@ms Cash	181.22/82.20
Hylife	180.19/81.73
Thunder Creek	181.10/82.15
ISO Weans	\$32.98 US Avg.
Feeder Pigs	\$55.70 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		175.69 181.97	163.64 176.65	153.94 159.65	142.50 156.32	133.94 139.65	139.08 143.07	139.08 152.29	147.15 152.86
Maple Leaf Sig. #4		174.99 179.86	167.52 174.38	154.49 167.08	148.39 156.13	137.77 144.85	141.76 145.29	141.76 150.34	151.01 153.00
Soymeal Winnipeg Delivered	456	456	445	440	433	433	433		
Corn Wpg, Delivered	184								

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WINNIPEG LIVESTOCK
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