



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

Hog Margin Outlook

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Friday, June 19, 2015

Forward contract prices opened lower this morning. US cash markets eroded by approximately \$1.50/cwt over the course of the last week, with packers responding to abundant hog supplies. Daily slaughter levels have been running near more than 12% higher than year ago levels, which have left packers firmly in control of their hog costs, with some adding hours to their production schedule. Pork movement through the chains (both domestic and export) have performed reasonably well, with wholesale prices maintaining their value despite the growing inventory. Lean Hog futures are reflecting the cash market's fundamentals in the trade today by moving sharply lower as traders are growing increasingly concerned with the trend in the hog supply. If hog numbers are to maintain their gains over 2013 levels into the fall months, the number of hogs coming to market will exceed the industry's capacity to kill them. Even as the fall month prices are under pressure today, those producers without price protection in the Sep-Dec timeframe should look to cover some of their price risk, as further downside potential appears large.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower, in part, due to the changing weather situation in the southern US. The remnant of Tropical Storm Bill is turning east and southward meaning the wettest areas in Kansas and Missouri, where ~4 million acres remain unplanted, may see some planting activity as the fields may get a chance to dry out and allow fieldwork. Less rain is forecast than what was suggested even earlier this week in many regions. Argentina has upgraded production estimates to 61MMT from the previous 60MMT estimate and the USDA's 59.5 MMT.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. As with soybeans, talk subsiding rainfall in the US is pressuring the trade. The reason for corn is not planting progress per se; rather, the concern of excessive rainfall has been related to crop condition and development. There were some reports of flooding in some low lying areas and the hope is that the flooding will now not have a chance to increase in area. Regardless, traders are expecting further downgrades to the crop's condition in next week's report, although there is talk this may already be 'priced in'.

US Slaughter	
420,000	Thursday
370,000	Thursday (year ago)
W. Corn Belt	\$76.35
National Price	\$79.93
Daily Sig 3	\$170.86
Daily Sig 4	\$173.21
Thunder Creek	\$171.20
4-Month Fwd.	\$ 145.23
B of C Ex. Rate (Noon)	
\$1.2209 CAD/ \$0.8191 USD	
Cash Prices Week Ending June 20, 2015	
Signature 3	174.02/78.93
Signature 4	176.07/79.86
h@ms Cash	172.52/78.25
Hylife	n/a
Thunder Creek	176.40/80.01
ISO Weans	\$24.90 US Avg.
Feeder Pigs	\$52.59 US Avg.
#1 Export Sows (Tagged) \$33.00 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		163.08 163.64	149.40 161.39	139.82 145.46	129.78 142.30	121.31 126.96	126.39 130.34	126.39 139.00	133.94 139.57	136.57 139.95	139.95
Maple Leaf Sig. #4		163.59 165.99	154.49 160.43	141.62 154.06	136.82 143.38	126.33 133.32	130.26 133.76	130.26 138.31	138.96 140.92	138.24 142.82	142.82
Soymeal Winnipeg Delivered	481	478	465	458	446	445	445				
Corn Wpg, Delivered	190										

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