



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

# Hog Margin Outlook

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Monday, June 22, 2015

**Forward contract prices opened lower this morning.** US cash markets are expected to start the week with steady to lower cash bids as the abundant hog supply is providing packers with no incentive to bid live prices higher. Wholesale pork prices experienced some uncharacteristic weakness late last week, even as wholesalers start to build supplies ahead of the July 4 long weekend. The entire industry is surprised by the increase in hog supplies, as the hog slaughter has exceeded 2013 levels by about 8%, 4 times larger than the USDA inventory survey suggested back in March. This Friday's Quarterly Hogs and Pigs report is highly anticipated as traders try to uncover whether the increases in hog numbers are temporary, or if we can expect these increases into the fall timeframe. If the lighter weight categories of market hogs are reported to be more than 6% higher than 2013 levels, it would support the idea that the hog supply will exceed slaughter capacity in several weeks of the Sep – Dec timeframe. As a result of the significant downside price risk associated with supplies exceeding kill capacity, producers should look to cover 50% of their fall production at current prices.

**Canadian delivered soymeal prices opened higher this morning.** Weather is in large part cited as adding to the support this morning and there is talk the ground is saturated in the ECB, the Dakotas, and the Ohio River Valley. Flooding, to a large extent, is not yet widespread although there are reports of ponding in some areas, a situation that is only expected to increase in areas if the 1-3 inches of rain forecast materializes over the next 5-7 days. There is also talk of downgrades in conditions to this week's Crop Progress report; the market is expecting 64-65% good/excellent as compared to 72% last year.

**Canadian delivered corn prices opened higher this morning.** US corn futures are trading lower. While similar weather concerns are present in the corn trade (a little too much moisture), the old adage, 'rain makes grain' is present and offsetting concerns as the corn crop is essentially planted and developing well to this point. Fundamentals and weak technical indicators remain pressuring, and there is talk there are large amounts of unmarketed corn in US bins amid large world supplies. As a result, the funds have moved into a net short position, liquidating ~30,000 long positions last week, mirroring the bearish tone in the corn trade.

US Slaughter	
2.140 mil.	Last Week
1.886 mil.	Last Week (year ago)
W. Corn Belt	\$75.61
National Price	\$79.81
Daily Sig 3	\$170.18
Daily Sig 4	\$173.95
Thunder Creek	\$169.80
4-Month Fwd.	\$ 139.18
<b>B of C Ex. Rate (Noon)</b>	
\$1.2279 CAD/ \$0.8144 USD	
<b>Cash Prices Week Ending June 20, 2015</b>	
Signature 3	174.02/78.93
Signature 4	176.07/79.86
h@ms Cash	172.52/78.25
Hylife	173.86/78.86
Thunder Creek	176.40/80.01
ISO Weans	\$21.89 US Avg.
Feeder Pigs	\$46.17 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		158.54	145.98 156.69	136.40 142.03	126.73 138.81	118.27 123.91	123.34 127.29	123.34 136.62	131.55 137.19	135.88 139.26	139.26 140.44
Maple Leaf Sig. #4		159.20	151.19 155.88	138.30 150.75	133.87 139.99	123.38 130.37	127.31 130.81	127.31 136.01	136.67 138.63	137.58 142.17	142.17 142.22
Soymeal Winnipeg Delivered	485	482	469	462	451	450	450				
Corn Wpg, Delivered	200										

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