



Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, June 23, 2015

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

Forward contract prices opened higher this morning. US cash markets received some needed support from wholesale pork prices yesterday, with the pork cut-out reporting gains of \$2.00/cwt. In order for packers to maintain current bids for live hogs, wholesale pork prices needed to stabilize from their recent weaker trend. Futures traders are generally pessimistic about the direction of the cash market over the next 3 weeks, as the July contracts is trading at a discount to the cash index of about US\$5.00/cwt. Heavy hog supplies that have been running about 7% larger than 2013 levels is the primary factor that traders are concerned with, but Friday's Hogs and Pigs report should provide more clarity on this issue. If the report shows that the recent increase in hog numbers will be maintained through the end of the year, fall month contracts would likely respond by moving lower. Record pork production in the 3rd and 4th Quarters of 2015 is possible, with the larger risk of the hog supply exceeding slaughter capacity in several weeks being the primary concern. Forward contract prices are up more than \$6.00/kg from their lows seen earlier this week, in part due to evidence in yesterday's Cold Storage Report of good product movement. This provides a good hedging opportunity in the context of current market fundamentals.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. Even though only 10% of the crop remains to be planted, the market's reaction to yesterday's Crop Progress report has been to build in some production risk premium; the 5-year average is 95%. The remaining 10% is considered a large number for this time of year and more wet weather is expected meaning the window of opportunity to get final beans in the ground is quickly closing. Elsewhere, there is talk of another strike in Argentina that could choke supply pipelines in the short term.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Today's strength is a function of short covering as the trade is supported on slow US farmer sales and a wet forecasts that, while beneficial for development generally, could quickly become more of a liability if too much rain materializes and starts to affect yield potential; there is some evidence this is already underway. Crop conditions decreased 1% from previous week to 80% in good/excellent condition, a function of the recent wet weather. 77% was in good/excellent condition last year at this time.

US Slaughter	
417,000	Monday
377,000	Monday (year ago)
W. Corn Belt	\$75.39
National Price	\$79.24
Daily Sig 3	\$169.81
Daily Sig 4	\$172.82
Thunder Creek	\$169.68
4-Month Fwd.	\$ 140.24
B of C Ex. Rate (Noon)	
\$1.2288 CAD/ \$0.8138 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	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)	\$33.50 cwt. (+500lbs.)

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		159.42	147.02 157.65	137.40 143.06	128.09 139.80	119.60 125.26	124.69 128.66	124.69 138.15	133.06 138.72	137.59 140.98	140.98 142.17
Maple Leaf Sig. #4		160.07	152.23 156.83	139.30 151.79	135.22 140.97	125.14 131.72	128.64 132.15	128.64 137.51	138.17 140.14	139.27 143.87	143.87 143.92
Soymeal Winnipeg Delivered	489	487	475	468	457	456	456				
Corn Wpg, Delivered	200										

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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