

Hog Margin Outlook

Meeting Your Marketing Needs

For details call: (204)235-2237 or visit

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Tuesday, June 30, 2015

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

Forward contract prices opened higher this morning. US cash hog markets started the week with slightly higher bids as packers are motivated to fill their slaughter schedule ahead of the spike in demand relating to the US Independence Day long weekend. Almost all of the primal cuts gained value Monday, but the Ham primal remains stubbornly low and needs to see some improvement over the summer if prices in the fall are to remain profitable. Reaction to the USDA Hogs and Pigs report was moderate, as the industry correctly accounted for the heavy near term supply going into the report by discounting the nearby contracts from the current cash market. The USDA reported a 13% increase over 2014 in the heaviest market hog weight category, which accurately reflects the recent slaughter numbers. However, their estimates for the lighter weight categories that represent this fall's hog supply reflect a divergence from the normal relationship between weight categories. There is some question as to why recent slaughter levels have been running +8% over 2013 levels, while projected fall supplies are anticipated to be only 1% over 2013.

Canadian delivered soymeal prices opened mixed this morning. The Acreage report comes out today at mid-trade and could influence the market in different ways. Two scenarios have been constructed from private analysts and vary significantly in terms of ending stocks. While a scenario somewhere in the middle is the likely outcome, recent wet weather still sees as much as 7 million acres unplanted to date mostly in southern regions.

Canadian delivered corn prices opened even this morning. Despite the wet weather, private firms are still upbeat on yield (~161-162 bpa as opposed to WASDE's 166.8 bpa). This is important as production estimates will be factored using yield and acreage following today's report. The pessimistic view is for 154.9 bpa with stocks to use ratio coming in at an extremely tight 5.3% on lowered acreage.

US Slaughter	
424,000	Monday
405,000	Monday (year ago)
W. Corn Belt	\$74.58
National Price	\$77.55
Daily Sig 3	\$169.27
Daily Sig 4	\$170.44
Thunder Creek	\$169.00
4-Month Fwd.	\$ 143.00
B of C Ex. Rate (Noon)	
\$1.2382 CAD/ \$0.8076 USD	
Cash Prices Week Ending June 27, 2015	
Signature 3	169.61/76.93
Signature 4	173.06/78.50
h@ms Cash	168.11/76.25
Hylife	170.82/77.48
Thunder Creek	173.00/78.47
ISO Weans	\$18.91 US Avg.
Feeder Pigs	\$41.72 US Avg.
#1 Export Sows (Tagged) \$33.50 cwt. (+500lbs.)	

2015/16 crop	Scenario 1	Scenario 2
Soybeans		
Beginning Stocks	475 mil.	300 mil.
Acreage	86.6 mil.	82.0 mil.
Yield	46.7 bpa	44.5 bpa
Ending Stocks	608 mil.	205 mil.
Stocks to Use	16.3%	5.5%
Corn		
Beginning Stocks	1.876 bil.	1.876 bil.
Acreage	88.7 mil	88.7 mil
Yield	166.8 bpa	154.9 bpa
Ending Stocks	1.771 bil.	725 mil
Stocks to Use	12.8%	5.3%

Source: WASDE, Hightower Report

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3			150.76 160.35	142.77 146.77	133.40 143.52	127.11 131.69	132.26 136.26	132.26 141.82	140.11 145.80	143.41 149.09	149.09 153.57
Maple Leaf Sig. #4			157.05 160.36	145.99 156.60	141.13 147.73	132.50 138.25	136.70 140.25	136.45 141.95	144.60 147.68	147.57 152.19	152.19 154.23
Soymeal Winnipeg Delivered	509	506	495	488	479	479	479				
Corn Wpg, Delivered	212										

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IMPORTANT NOTICE

h@ms Marketing Risk Management will be closed

- Wednesday, July 1 (Canada Day)
- 1 hour early on Thursday, July 2 (11:30AM, Central)
- Friday, July 3 (Independence Day, USA)

Normal business activity resumes Monday, July 6

STRENGTH IN NUMBERS