



Hog Margin Outlook

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Friday, August 28, 2015

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

Forward contract prices opened lower this morning. US cash markets turned lower to finish off the week as all reporting regions came in lower than previous day. It is difficult to determine with any certainty if this marks the seasonal pressure typically seen at this time of year, but the general consensus is that sustained pressure won't really develop until after Labour Day. The pork cutout is lower as primal cuts are mixed; loins, butts, and picnics are up, but ribs, hams, and bellies are down with the latter offsetting any gains. Lean hog futures are trading lower early in the session but are showing some signs of calming down after what has been a volatile week. Limit up levels on Monday were sparked on thoughts Chinese demand was ramping up based on a report suggesting Smithfield's US sales to the region increased substantially over the first two quarters of 2015. However, hard data from the USDA and other sources show US exports to China have not increased yet and in fact are lower than 2014 levels. Smithfield likely has expanded their Chinese exports, but either from their EU operations or from such a small base that a large percentage increase did not translate into large volumes. In short, the futures markets overreacted at the same time technical indicators were supportive and there will likely be more volatility until hard data can back up China speculations. There is, or will be, opportunity in the region; it remains to be seen who will benefit. Currently, it's the EU.

Canadian delivered soymeal prices opened lower this morning. Confidence is returning to the more established North American and European markets, after the Chinese stock market collapse this week. Fundamentals for soybeans remain generally bearish, but the selloff in China has had a ripple effect that will take some time for markets to sort out. In the meantime, soybeans are coming off their lows and finishing stronger to end the week. The low value of the CAD is masking any 'low' soymeal prices, however; currently foreign exchange is responsible for more than \$70 CAD/MT to delivered soymeal as compared to a 90¢ Dollar.

US corn futures opened higher this morning. Like soybeans, the corn trade also has a bearish tone on a decent fundamental picture, meagre ethanol demand expectations in the mid-term and a weak export outlook so far. But, US corn is also showing some strength as calmer heads prevail and confidence returns to global markets. Other supports include some dryness concerns in the ECB (with more hot temperatures on the way this weekend) as well as yield downgrades that are widely expected to materialize at harvest.

US Slaughter	
428,000	Thursday
411,000	Thursday (year ago)
W. Corn Belt	\$73.05
National Price	\$78.86
Daily Sig 3	\$176.71
Daily Sig 4	\$184.74
Thunder Creek	\$176.80
4-Month Fwd.	\$ 140.71
B of C Ex. Rate (Noon)	
\$1.3197 CAD / \$0.7577 USD	
Cash Prices Week Ending August 29, 2015	
Signature 3	179.90/81.60
Signature 4	185.41/84.10
h@ms Cash	178.40/80.92
Hylife	n/a
Thunder Creek	182.70/82.87
ISO Weans	\$19.04 US Avg.
Feeder Pigs	\$35.58 US Avg.
#1 Export Sows (Tagged) \$54.50 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		139.66 155.51	130.55 136.62	136.02 140.27	135.67 145.41	149.06 152.10	146.38 151.25	154.29 161.30	167.57 177.29	178.50 184.58	185.79
Maple Leaf Sig. #4		145.59 159.41	136.42 142.53	140.88 144.65	139.86 146.94	150.71 154.01	150.59 153.42	156.72 162.31	166.86 177.68	178.15 182.39	185.68
Soymeal Winnipeg Delivered	510	510	502	493	493	490	493				
Corn	Local delivered price available on request										

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All local h@ms soymeal deliveries will be suspended from September 1 to September 9 (or until further notice) as US suppliers shut down for maintenance.

STRENGTH IN NUMBERS

