



Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, September 08, 2015

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

Forward contract prices opened lower this morning. US cash markets are expected to trade slightly lower this morning with packers having no difficulty sourcing this week's reduced slaughter requirements. Last week, producers marketed more than 2.2 million hogs, which was 22% larger than the same week last year. Most of this discrepancy can be explained by the Labour Day holiday impacting this week's production schedule as opposed to last week. Given the larger-than-expected production, the steady trending pork cut-out continues to exceed expectations with the Belly and Rib primal cut values running higher than year ago levels. Firm pork prices have contributed to the gains in the nearby Lean Hog futures with the October Lean Hog contract gaining 13% over the last two weeks. Any weakness in the pork cut-out could put these gains at risk as supplies are anticipated to grow over the next month. Increased demand for hams can be an offsetting, positive feature at this time of year. Forward prices for the Nov-Dec timeframe remain depressed compared to the current cash market and historical price relationships, but early 2016 forward prices reflect fair market value considering the continued uncertainty around supplies and export sales.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher despite demand uncertainty and decent (for now) supply expectations. Chinese economic forecasts are still relatively meagre and there are reports that China imported fewer soybeans in August than in July; however, the year over year numbers came in 29% higher and appear to be, in part, a function of underlying optimism despite the recent economic news. Record domestic yields are still reported by the USDA, but, there are expectations in the trade that yields could come down in Friday's WASDE report, adding support.

US corn futures opened higher this morning. Corn is seeing support to start the week as lower yield estimates (in some cases, more than 2 bpa) are expected in Friday's WASDE report; technical indicators are also supportive. There was some talk that the Chinese government cut its domestic harvest expectations by 3 MMT but analysts note that is still a record crop and still higher than USDA expectations (225 MMT). Corn harvest has started in the southern areas of the US but early results have so far been varied and do not provide accurate estimates thus far.

US Slaughter	
2.171 mil.	Last Week
1.778 mil.	Last Week (year ago)
W. Corn Belt	\$67.21
National Price	\$75.65
Daily Sig 3	\$163.52
Daily Sig 4	\$178.23
Thunder Creek	\$164.41
4-Month Fwd.	\$ 143.43
B of C Ex. Rate (Noon)	
\$1.3273 CAD / \$0.7534 USD	
Cash Prices Week Ending September 5, 2015	
Signature 3	77.34/170.50
Signature 4	181.61/82.38
h@ms Cash	76.66/169.00
Hylife	179.71/81.52
Thunder Creek	179.20/81.28
ISO Weans	\$24.73 US Avg.
Feeder Pigs	\$38.94 US Avg.
#1 Export Sows (Tagged)	\$56.50 cwt. (+500lbs.)

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		142.05 160.28	132.94 139.01	138.40 142.66	138.40 148.85	152.50 155.54	154.03 157.68	158.28 165.57	171.21 180.93	182.15 188.22	185.89 188.83
Maple Leaf Sig. #4		150.26 163.09	138.73 147.20	143.20 146.97	143.20 150.26	154.03 157.32	156.81 159.63	160.57 166.45	170.39 181.21	181.68 185.92	186.71 189.21
Soymeal Winnipeg Delivered	490	487	481	481	479	481	481				
Corn	Local delivered price available on request										

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All local h@ms soymeal deliveries are suspended until September 11 as US suppliers shut down for maintenance.

STRENGTH IN NUMBERS

