

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

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 13, 2016

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Forward contract prices opened higher this morning. US cash markets reported gains of more than \$1.50/cwt with packers aggressively sourcing supplies to meet their slaughter schedule that is anticipated to be over 2.35 million hogs this week. Earlier this week, Smithfield Foods experienced a technical problem which led them to shut down operations in at least one of their hog processing plants. A company spokesperson stated that they intend to "mitigate production losses by running additional shifts wherever possible". Lean Hog futures have experienced gains this week which has taken most contracts back to levels experience around the holidays. Spring and summer contracts currently hold a premium over the current cash market of US\$13 -\$26/cwt, which is more than double the normal premium seen at this time of year. Given the forecast for record large pork production in North America in 2016 and the impact of slow growth in pork exports (due to the strong US Dollar), producers should consider securing price protection on half of their intended production to the end of 2016.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher as some WASDE report numbers came under trader expectations in what the market considered a bit of a surprise yesterday. Carryout was thought to be near the 465-468 million bu. marks. However, the WASDE report estimated ending stocks to be 440 million bu., influencing initial support. As well, December exports to China were noted at a record high 81.7 million tonnes (14% higher than 2014 levels) prompting talk that the large funds may now be motivated to exit short positions in the nearer term. However, there are massive global supplies and the fundamental picture is bearish further out, so far.

US corn futures opened mixed this morning. Although US corn stocks came in at the higher end of trade expectations (1.802 billion bu. for 2015 in yesterday's report compared to the 1.642-1.860 billion bu. range), some key variables were revised sparking some initial support. For example 2015 yield has been lowered to 168.4 from 169.3 bpa influencing lower US production overall; global estimates were also revised downward to 208.9 MMT from 212.5 MMT. However, the market has since been trading in a mixed and choppy patter, attempting to reconcile the 2015 production information with longer term outlooks that show a lot of corn will be ultimately coming to global markets.

US Slaughter	
439,000	Tuesday
434,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$52.44
National	\$57.39
Iowa/S. MN.	\$52.64
Signature 3	\$137.37
Hylife	\$143.48
Thunder Creek	\$137.58
Sig 3 4-Month Fwd.	\$165.96
B of C Ex. Rate (Noon)	
\$1.4291 CAD / \$0.6997 USD	
Cash Prices Week Ending January 9, 2016	
Signature 3	129.74/58.85
h@ms Cash	128.24/58.17
Hylife	136.53/61.93
Thunder Creek	124.20/56.34
ISO Weans	\$57.54 US Avg.
Feeder Pigs	\$64.62 US Avg.
#1 Export Sows (Tagged)	\$18.00/cwt (+500lbs.)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		150.80 152.10	148.45 156.28	158.24 165.63	171.75 189.99	191.29 197.80	188.70 198.45	179.33 194.95	165.23 171.73	163.74 165.04	141.69 159.24	143.64 150.14
Soymeal Wpg Delivered	448	448	448	451	451	454						
Corn	Local delivered price available on request											

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