



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

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, January 27, 2016

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Forward contract prices opened higher this morning. US cash markets continued their stronger trend, with most regions reporting gains of \$1.00/cwt in trade yesterday. The USDA estimated the daily slaughter at 440,000 hogs, reflecting an abundant supply available to packers, who are benefitting from increases in wholesale pork prices. The cash market strength is also having a positive influence on the futures, with the summer month contracts returning to the US\$80/cwt level, a price not seen since October 2015. However, fixed forward contract prices have actually declined by about \$2.00/kg over the last week, reflecting the recent strength in the Canadian Dollar. Over the last 5 years, cash prices have averaged a \$40/kg gain from January to July, which includes the exceptional move in 2014 when they gained \$100/kg. due to PEDv losses. Currently, the forwards are offering a \$50/kg premium over the current cash market, which is 23% larger than the 5 year average. Producers should look at covering as much as half of their intended production for the whole of 2016, securing very profitable prices.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher on technical indicators as the market attempts to carve out a bottom amid bearish fundamental news and expectations of seasonal lows developing soon. Even if the dry weather in Argentina results in some yield loss, the high USD and slowing demand for US beans will ultimately weigh on the trade. There is no major fundamental information until the next WASDE report on February 9, but the February report still focuses on the 'old crop' and demand side adjustments. The first look at 'new crop' supply estimates won't materialize until the May report.

US corn futures opened higher this morning. Short-term support is coming from a variety of supply factors this morning. There is talk that dryness in Argentina could impact production levels and wetter weather in Brazil is being cited for some harvest delays. But there is also talk that a new Russian export tax could also have an impact on global supply as the country attempts to disincentivize exporting activity. On the other hand, news that China will attempt to allow their state stocks to be priced in a more market oriented fashion is keeping the upside in check amid the uncertainty of large supplies rumored to be in the country.

US Slaughter	
440,000	Tuesday
416,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$58.20
National	\$60.83
Iowa/S. MN.	\$58.35
Signature 3	\$150.01
Hylife	\$152.58
Thunder Creek	\$150.06
Sig 3 4-Month Fwd.	\$176.82
BoC Rate (Noon) prev. day \$1.4062 CAD / \$0.7111 USD	
Cash Prices Week Ending January 23, 2016	
Signature 3	144.72/65.64
h@ms Cash	143.22/64.96
Hylife	149.91/68.00
Thunder Creek	138.40/62.78
ISO Weans	\$62.20 US Avg.
Feeder Pigs	\$71.30 US Avg.
#1 Export Sows (Tagged) \$38.00/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		158.13	155.85 163.62	165.56 173.23	175.63 193.74	195.04 201.51	191.73 202.15	180.67 196.10	165.41 172.49	164.77 166.66	143.43 160.85	145.36 151.82
Soymeal Wpg Delivered	437	437	437	439	439	443						
Corn	Local delivered price available on request											

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