



Hog Margin Outlook

Meeting Your Marketing Needs

Friday, January 29, 2016

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

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Hog Prices: ↑ ↓ Soymeal: ↔

Corn: ↑ CDN Dollar: ↓

US Slaughter	
435,000	Thursday
427,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$60.47
National	\$62.14
Iowa/S. MN.	\$60.47
Signature 3	\$155.99
Hylife	\$153.58
Thunder Creek	\$155.64
Sig 3 4-Month Fwd.	\$176.43
BoC Rate (Noon) prev. day \$1.4073 CAD / \$0.7106 USD	
Cash Prices Week Ending January 30, 2016	
Signature 3	151.19/68.58
h@ms Cash	149.69/67.90
Hylife	n/a
Thunder Creek	145.50/66.00
ISO Weans	\$62.20 US Avg.
Feeder Pigs	\$71.30 US Avg.
#1 Export Sows (Tagged) \$38.00/cwt (+500lbs.)	

Forward contract prices opened mixed this morning. US cash markets were higher yesterday, gaining about \$0.50/cwt across all USDA reporting regions. Hog supplies are abundant with the US daily slaughter estimated at 435,000, allowing packers to operate their plants efficiently by spreading more of their fixed costs across a larger number of animals. Wholesale pork prices improved after yesterday's setback, with loin and belly prices providing most of the support. But traders are growing uneasy about the cash market's ability to maintain its positive trend amid the heavy supplies. Lean Hog futures dipped sharply in mid-day trade yesterday, possibly as traders anticipated a weak morning session in the cash market. Most contracts recovered from the weakness, but it highlighted how sensitive the futures are to cash market fundamentals while there is a large premium being offered on all available contracts. Forward contracts have come under pressure this week, even as Lean Hog futures have been firm, due to the Canadian Dollar gaining about 3 cents against the US Dollar. Producers should consider pricing as much as half of their 2016 production, with a focus on the Sep-Dec timeframe which will be the period with the largest hog supply.

Canadian delivered soymeal prices opened even this morning. US soybean futures are trading higher to finish of the week. While there is not much bullish news to sustain today's strength, higher energy markets and some short covering are being cited as factors for the current support. However, there are some bearish prospects looming, including rumors that China has intentionally overbought US beans and will ultimately cancel orders once cheaper S. American variants become available. In fact, there are already unconfirmed reports of a recent 395,000 MT cancellation this morning. Large supplies, Chinese cancellations, and talk of farmer selling in Argentina have not yet offset support factors this morning.

US corn futures opened higher this morning. Like beans, US corn is seeing some strength ahead of what could be some significant pressure in the short-to-mid-terms. Energy markets and short covering are providing some support this morning, along with thoughts that Ukrainian farmers are holding on to stocks as a hedge against a devaluing currency. However, at some point, farmers will resume selling and there are thoughts significant pressure could materialize if the selling takes place at the same time S. American farmers start aggressively marketing their crops and the Chinese release state reserve stocks onto the open market (stocks that are currently believed to be priced about 20% above the free markets).

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		158.52	155.30 163.03	164.96 172.60	175.43 193.47	194.75 201.19	191.99 201.84	180.79 196.24	165.53 171.96	163.35 164.63	141.28 158.56	143.20 149.60
Soymeal Wpg Delivered	434	434	434	436	436	440						
Corn	Local delivered price available on request											

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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