

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, February 05, 2016

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

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

Forward contract prices opened higher this morning. US cash markets are finishing this week with gains of \$2.00/cwt over last week's close, as slaughter operations were impacted by the winter storm that swept through the Midwest mid-week. This week's slaughter is expected to come in under 2.2 million hogs, well short of the 2.3 million that has been the average over the last two weeks, setting up packers to have a backlog of hogs for next week. Lean Hog futures have seen a choppy sideways trend over the last week, with resistance to further gains developing near current levels. Traders need to see cash market support in order to maintain the bullish trend from which spring and summer contracts have benefitted over the last month. The seasonal impact of easing hog supplies will help to support the premium the market has built into summer month Lean Hog futures. However, traders will start refocusing on the Sep-Dec timeframe which has a significant chance of seeing hog supplies exceed packer capacity in some weeks. For this reason, producers without protection in the fall and winter periods should look to cover up to half of their intended production at current prices.

Canadian delivered soymeal prices opened lower this morning. US soybeans are trading lower. Despite some dryness in northern Argentina there is talk that the weather in S. American growing regions is 'favourable' and that expectations of large production volumes are on pace. In fact, the US agriculture bureau in Buenos Aires has raised production estimates from Argentina to 58.5 MMT, 1.5 MMT higher than current USDA numbers. The result is that the fundamental news remains bearish exacerbated by thoughts that Tuesday's WASDE report will reflect meagre export demand; carryout for the February report is expected to be raised by 30 million bu. on average which would likely keep pressure on the market.

US corn futures opened lower this morning. Pressure on the US corn trade remains in place and there are even some thoughts a short term 'high' is in place. Like beans, the market is pricing in expectations of a larger carryout as ending stocks are expected to come in higher than the January report. As well, despite some positive and unexpectedly higher demand numbers for the week, US corn sales are off pace by 13.4% coming in at 56.1% of expectations relative to the 69.5% 5-year average. Adding to the pressure is ideas of large production coming from S. American producers where official numbers from Brazil have been revised 1 MMT higher to 83.3 MMT.

US Slaughter	
401,000	Thursday
437,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$61.76
National	\$65.09
Iowa/S. MN.	\$62.34
Signature 3	\$155.39
Hylife	\$158.61
Thunder Creek	\$156.50
Sig 3 4-Month Fwd.	\$176.40
BoC Rate (Noon) prev. day \$1.3726 CAD / \$0.7285 USD	
Cash Prices Week Ending February 6, 2016	
Signature 3	156.35/70.92
h@ms Cash	154.85/70.24
Hylife	n/a
Thunder Creek	152.90/69.35
ISO Weans	\$64.58 US Avg.
Feeder Pigs	\$72.82 US Avg.
#1 Export Sows (Tagged) \$46.00/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		152.74 160.35	162.25 169.76	173.56 191.30	192.56 198.90	189.09 199.53	177.95 193.07	164.77 171.07	163.51 165.30	142.42 159.48	144.32 150.64
Soymeal Wpg Delivered	421	424	427	427	431	429					
Corn	Local delivered price available on request										

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