



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

Hog Margin Outlook

Meeting Your Marketing Needs

Wednesday, February 24, 2016

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Forward contract prices opened higher this morning. US cash markets are expected to trade near steady today, after cash bids recovered from the weakness experienced earlier in the week. The hog supply is expected to tighten over the next month by as much as 3-4%, relating to the smaller pig crop experienced 8-10 months ago when a product that extends the life of semen impacted conception rates. The latest USDA Cold Storage report was released yesterday and confirmed ideas of abundant red meat and poultry supplies. When totaled together, supplies of pork, beef and chicken are at all-time highs, which could result in weaker prices in order to clear the market of the backlog of inventory. Most concerning was the growth in chicken supplies which were up +13% over last year's levels with most of the growth in supply coming from the most valuable products (breasts and wings). Lean Hog futures are trading only slightly lower than yesterday's close, with traders viewing the +7% increase in pork inventory as manageable. Given the forecast for abundant supplies of all meats for the remainder of 2016, producers should look to secure prices on up to half of their production in the Sep-Dec timeframe at current prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower on rising speculation regarding potential US production estimates for the upcoming growing season. For the most part, yield baselines are following trend lines and will continue to do so until weather developments materialize and/or final yield becomes known at harvest. Acreage, however, is subject to much speculation and some private estimates are coming in near the 84 million acre mark; a well-known trading and analytics firm is using 83.3 million acres as a starting point, up from 82.7 million acres last year. The USDA Outlook Conference takes place Thursday and Friday, and the event should result in some market direction late this week.

US corn futures opened lower this morning. Like soybeans, the US corn trade has a bearish tone heading into the USDA's Outlook Conference at the end of this week. The conference will provide the first estimates for the next growing season this year so it will have the attention of the markets. For the most part, ~90 million acres is being bandied about as a preliminary estimate. However, there is talk that a 5% variance from trend line yields lower could result in the third lowest carryout in over 40 years. Unfortunately, yield numbers will not be determined until much later in the growing season.

US Slaughter	
438,000	Tuesday
406,000	Tuesday (year ago)
Daily Prices	
W. Corn Belt	\$63.11
National	\$67.08
Iowa/S. MN.	\$63.13
Signature 3	\$159.55
Hylife	\$161.56
Thunder Creek	\$159.24
Sig 3 4-Month Fwd.	\$181.29
BoC Rate (Noon) prev. day \$1.3792 CAD / \$0.7251 USD	
Cash Prices Week Ending February 20, 2016	
Signature 3	160.75/72.92
h@ms Cash	159.25/72.24
Hylife	162.22/73.58
Thunder Creek	160.80/72.94
ISO Weans	\$60.35 US Avg.
Feeder Pigs	\$76.48 US Avg.
#1 Export Sows (Tagged) \$49.00/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		157.86	159.76 167.45	174.55 186.75	191.02 197.35	189.35 197.99	178.75 193.96	163.62 170.59	162.69 163.95	139.96 157.04	141.86 148.19
Soymeal Wpg Delivered	417	419	421	421	425	425					
Corn	Local delivered price available on request										

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