



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

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, March 03, 2016

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Forward contract prices opened lower this morning. US cash markets traded steady to lower yesterday, with packers unwilling to chase hogs by adding money to their bids. Packer operating margins are good at an estimated \$25/hog before accounting for processing costs and the value of by-products, but sluggish wholesale pork prices have packers on the defensive. The combination of slow exports, abundant cold storage supplies and heavier carcass weights are bearish enough to offset the bullish influence of a 'hole' in near term live hog supplies caused by a reduction in pigs born last summer due to a defective semen extender. Longer term, lean hog futures are struggling to add any value to the summer or fall timeframe with the virtual ceiling in prices that has developed over the last month. Prices in all offered contracts for 2016 have consistently traded within \$1.00/cwt of recent highs, but have not been able to break higher due to heavy selling pressure. Producers that have yet to price a significant share of their remaining 2016 production should consider pricing as much as half of their production at current prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading with a bit of strength after drifting into oversold territory, suggesting an interim bounce may be developing. The duration of the support in the trade is expected to be brief, however, as the fundamental picture remains bearish. That is, until the uncertain factors of crop production in the US start to take shape later in the spring. As well, producers should be mindful that poor margins, annual, rotating maintenance shutdowns, and competition for transportation resources (fertilizer hauling) during the planting season could influence local prices higher later this spring (heading into the summer), but likely remain under pressure if a normal weather pattern develops.

US corn futures opened mixed this morning. The US corn trade remains in a bearish trend despite some technical indicators that in any other market might prove to indicate some support (albeit briefly) is on the horizon. The trade cannot seem to shake the fundamental picture that is so far pressuring. However, the current analyses suggest that a 7% reduction in crop production from current estimates could reduce US carryout to the third lowest level in over 40 years. So far, this risk has yet to be priced into the market as analysts correctly point out that it is a bit too early to be talking substantively about potential production impacts due to unknown weather events that haven't even developed yet.

US Slaughter	
435,000	Wednesday
431,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$63.43
National	\$67.46
Iowa/S. MN.	\$63.55
Signature 3	\$156.59
Hylife	\$159.19
Thunder Creek	\$156.53
Sig 3 4-Month Fwd.	\$179.98
BoC Rate (Noon) prev. day \$1.3468 CAD / \$0.7425 USD	
Cash Prices Week Ending February 27, 2016	
Signature 3	159.53/72.36
h@ms Cash	158.03/71.68
Hylife	162.03/73.50
Thunder Creek	161.20/73.12
ISO Weans	\$56.04 US Avg.
Feeder Pigs	\$77.72 US Avg.
#1 Export Sows (Tagged)	\$42.00/cwt (+500lbs.)

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		155.04 161.81	169.76 184.52	185.75 191.90	184.67 192.52	173.82 188.62	159.83 166.61	158.72 159.95	136.46 153.06	138.30 144.45
Soymeal Wpg Delivered	408	408	408	412	412	414				
Corn	Local delivered price available on request									

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HWY #6 AND RD 236

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