

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, March 29, 2016

For details call: (204)235-2237 or visit www.hamsmarketing.ca

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

US Slaughter	
292,000	Monday
438,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$62.49
National	\$65.73
Iowa/S. MN.	\$63.03
Signature 3	\$151.02
Hylife	\$153.51
Thunder Creek	\$151.98
Sig 3 4-Month Fwd.	\$184.97
BoC Rate (Noon) prev. day \$1.3184 CAD / \$0.7585 USD	
Cash Prices Week Ending March 26, 2016	
Signature 3	148.22/67.23
h@ms Cash	146.72/66.55
Hylife	153.44/69.60
Thunder Creek	151.00/68.49
ISO Weans	\$40.65 US Avg.
Feeder Pigs	\$83.26 US Avg.
#1 Export Sows (Tagged) \$30.00/cwt. (+500lbs.)	

Forward contract prices opened mostly higher this morning.

US cash markets moved moderately higher in trade yesterday, with most of the Lean Hog futures regaining the weakness that was experienced late last week. Trade responded to the Hogs and Pigs report released on Friday with some optimism as all inventory categories came in within 1% of 2015 levels. The near term inventory, as represented by the two heaviest market hog weight categories, were reported to be slightly larger than year ago levels. This is somewhat inconsistent with the opinion of many in the industry that anticipated hog supplies would be down as much as 2% from last year

due to the AI Semen Extender issue. The report's results support hedging summer production at current prices as they represent a larger than normal premium over the cash market and are higher than cash prices experienced in May and June of last year. If anything, the report added to the price uncertainty for next winter, as the USDA pegged farrowing intentions down 3.5% from year ago levels. However, farrowing intentions tend to be a relatively poor measure of future supplies.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading higher but there is evidence a technical cap may be in the works suggesting a leveling off until at least mid-trade, Thursday when the Prospective Plantings report is released from the USDA. Some residual strength in palm oil is also supportive. South American fundamentals remain favourable for large production and if pre-season estimates are supported by normal weather patterns in North America, a lot of beans could be produced and stocks could be plentiful. The real wild card, as usual, is going to be weather, as production limiting weather events are a particular concern; this year's El Nino transition is widely talked about as being something to watch closely.

US corn futures opened higher this morning. As with beans, the trade is looking forward to Thursday's report which should at least provide some initial outlook on this year's production expectations. Unlike beans, US corn futures are trading in a mixed and choppy pattern. Talk ahead of the planting report suggests that traders' estimates could be a bit on the high side, implying there is room for some strength to re-enter the marketplace should the report's estimates come in lower than expectations. Nevertheless, the range currently sits between 89 and 92 million acres, which while criticized as optimistic, is still in the bottom half of the last 10 years of acreages.

Analysts' Expectations vs. March Quarterly Hogs and Pigs Report			
	Range % of 2015	Avg. In % of 2015	March in % of 2015
All hogs	99.0-101.5	100.3	100.4
Breeding	100.0-101.0	100.6	100.0
Marketing	99.0-101.5	100.3	100.4
>180 lbs.	99.3-101.7	100.2	100.2
120-179 lbs.	99.0-101.6	99.9	101.2
50-119 lbs.	98.0-101.3	100.1	100.8
<50 lbs.	99.0-102.4	100.7	99.6

Source: USDA; citing Umer Barry in DLR

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig. #3			172.15 186.62	187.82 193.85	185.46 194.46	174.55 189.03	160.32 166.95	159.71 161.15	135.95 152.26	137.76 143.80	138.06 146.50
Soymeal Wpg Delivered	409	411	411	415	414	416					
Corn	Local delivered price available on request										

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STRENGTH IN NUMBERS

