



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

# Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, April 07, 2016

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## Forward contract prices opened mostly higher this morning.

US cash markets remain stagnant with no indication that they will break out higher into a spring rally anytime soon. Hog numbers have not decreased from year ago levels, and are following the steady to slightly lower trend that was forecast in the latest Hogs and Pigs report. In addition, recent carcass weights have been on a slight up trend, adding to an already abundant supply of pork. The recent pork supply trend doesn't suggest that we will not experience a spring price rally over the next 2 months, only that we probably can't expect an above average move. Given forward contract prices, producer profitability appears good until late November, and winter prices still reflect modest profits for most producers. However, if cash hog markets fail to experience a better than 15% rally over the next two months, the deferred Lean Hog futures will not be able to hold their value, squeezing producer profits and cash flow. Producers should consider covering up to half of their intended production to the latest offered forward contract periods in February 2017.

## Canadian delivered soymeal prices opened higher this morning.

Traders are suggesting an interim high has been reached in the face of a bearish fundamental picture that does not appear to be subsiding. South American crops are still poised to reach and/or surpass record production levels, and in the US, barring any yield damaging weather event, the supply picture could also pressure further out. As such, there is talk that prices must push lower if a market clearing level is to be reached which could pose challenging as global demand is currently less than stellar. However, there are only two major soybean producing regions (S. America and the USA) so if a problem develops in the western hemisphere, the global supply dynamic could change quickly.

## US corn futures opened higher this morning.

The US corn trade is creeping back into the lower pre-WASDE report range and showing some strength over the past several sessions. US corn has opened lower than previous day's close over a few sessions now, but what often goes unreported is the strength that follows over the course of the day. The explanation appears to be largely technical in nature but is being bolstered by some changing fundamentals. There is talk that increasing corn acres could be switched to beans in the US and suggestions that China could reduce planted acres by 1.6 million acres this year (and as high as a third of the crop by 2020).

US Slaughter	
427,000	Wednesday
431,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$63.19
National	\$67.17
Iowa/S. MN.	\$63.23
Signature 3	\$151.47
Hylife	\$155.69
Thunder Creek	\$151.22
Sig 3 4-Month Fwd.	\$178.59
<b>BoC Rate (Noon) prev. day</b> \$1.3077 CAD / \$0.7647 USD	
Cash Prices Week Ending April 02, 2016	
Signature 3	150.11-68.09
h@ms Cash	148.61/67.41
Hylife	152.78/69.30
Thunder Creek	148.9/67.54
ISO Weans	\$39.74 US Avg.
Feeder Pigs	\$79.61 US Avg.
#1 Export Sows (Tagged) \$35.00/cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan
Maple Leaf Sig. #3		165.16 179.63	180.83 186.86	179.34 187.46	168.76 183.19	156.32 162.95	155.10 156.30	133.21 149.41	137.41 141.01	136.10 144.50
Soymeal Wpg Delivered	403	403	406	407	409	412	411	414	414	
Corn	Local delivered price available on request									

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