



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

Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, April 26, 2016

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Forward contract prices opened mostly lower this morning.

US cash markets struggled to make gains to start this week with all of the reporting regions narrowly mixed from Friday's trade. Last week's hog slaughter was larger than expected at 2.24 million hogs, nearly 4% larger than year ago levels. The increase was an anomaly in the context of the previous 3 weeks which were trending below year ago levels. There has been little talk of the reduction in numbers relating to the Semen Extender Issue of last summer, but if the estimate of a 2% reduction in slaughter in April-May was accurate, then our winter pig crop was larger than forecast and casts doubt on the estimates for this fall. October – February Lean Hog futures are still trading within \$1.00/cwt of the 6-month highs, which represents an excellent hedging opportunity given the uncertainty of supply in this timeframe. The stronger Canadian Dollar continues to erode forward contract prices, taking out more than \$15/ckg from all contracting periods over the last 4 months. Producers should look at extending their protection period to February 2017 on as much as half of their production in order to secure profitable production through next winter.

Canadian delivered soymeal prices opened higher this morning.

Strength has returned to the soymeal complex on thoughts that China has resumed (or will soon be resuming) buying, and some US weather premiums on a wetter forecast this week in critical growing regions. The Argentine weather premium appears to be holding for now as forecasted cooler weather may slow down crop drying that could result in significant production losses yet to be determined. The general consensus is that crop outlooks in the country will officially be lowered between 56 and 57MMT, down from the current 61 MMT. World ending stocks, however, would be lowered by only 700,000MT from the record 77.7MMT last year.

US corn futures opened mixed this morning. The selling that didn't materialize yesterday on rumors China is poised to export corn (1.7 MMT this year; 2.3MMT next year) appears to be influencing the trade this morning. The market is trading in a two sided and choppy pattern amid uncertainty that also includes news that planting progress in the US is rapidly advancing and now 30% complete, higher than normal compared to 16% last year and the 19% 10-year average. Dry weather in critical US growing areas saw farmers aggressively planting and leading some analysts to go back on the earlier assertion that large acreage shifts to beans would develop. It is still early in the season, however.

US Slaughter	
424,000	Monday
427,000	Monday (year ago)
Daily Prices	
W. Corn Belt	\$66.48
National	\$68.80
Iowa/S. MN.	\$66.66
Signature 3	\$154.52
HyLife	\$153.47
Thunder Creek	\$154.60
Sig 3 4-Month Fwd.	\$167.13
BoC Rate (Noon) prev. day \$1.2680 CAD / \$0.7886 USD	
Cash Prices Week Ending April 23, 2016	
Signature 3	150.76/68.38
h@ms Cash	149.26/67.70
HyLife	152.16/69.02
Thunder Creek	148.20/67.22
ISO Weans	\$40.62 US Avg.
Feeder Pigs	\$74.15 US Avg.
#1 Export Sows (+500lbs.)	\$39.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		168.20	169.35 175.14	170.33 177.27	161.42 175.31	150.27 156.63	149.59 150.75	128.48 144.09	130.21 135.99	132.85 140.98	143.31 144.47
Soymeal Wpg Delivered	446	448	453	453	453	453	452	453	453		
Corn	Local delivered price available on request										

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