



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

# Hog Margin Outlook

Meeting Your Marketing Needs

Friday, May 06, 2016

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## Forward contract prices opened mostly higher this morning.

US cash markets are finishing the week close to \$2.00/cwt higher than last week after packers added significant value early in the week. However, packer bids have slid in the last couple of days, as ample hog numbers have met the planned production schedule. In addition, the higher trend in wholesale pork prices has not been maintained consistently, resulting in packers being more cautious with their hog costs. Rib and ham primal cuts dropped \$2-\$3/cwt in trade yesterday which threatened the confidence of both the cash and futures trade. All lean hog futures are lower this morning, with the combination of weaker cash market fundamentals and technical indicators reflecting resistance to further gains. Yesterday's report on export sales in March revealed mixed results, showing stronger sales to Japan and China, but a sharp drop in sales to Mexico (-17%). Overall, US exports for the month of March were up about 3% from year ago levels, but this figure is not enough to instill confidence that export sales will help alleviate the heavy supplies expected this fall.

## Canadian delivered soymeal prices opened higher this morning.

Thoughts of tightening global ending stocks, uncertainty regarding US weather and steady demand are supportive factors vastly outweighing any bearish sentiments in the marketplace. The Buenos Aires Grains Exchange has pegged crop losses due to heavy rain and flooding at 785,000 hectares (1.9 million acres) and has suggested another 700,000 hectares could be at risk. Whether or not this development is included in Tuesday's WASDE report remains to be seen; the USDA typically uses their own estimates and pre-report estimates are a wide 500 million bu. between high and low estimates. **Canadian meal buyers should expect delivery delays due to increased planting activity in the US and increased competition for trucking resources.**

**US corn futures opened higher this morning.** US corn futures are finishing the week higher as continued talk of losses in Brazil and US weather uncertainty add to the supportive tone. As well, there is a lot of discussion on agricultural reforms in China that are thought to be the most transformative in 10 years. Despite talk that the Chinese will release large stockpiles of state corn reserves (some of which may enter international supply chains), the big news adding to the supportive tone this morning is that planted acres will be down for the first time in 13 years in China.

US Slaughter	
427,000	Thursday
423,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$72.17
National	\$74.03
Iowa/S. MN.	\$72.30
Signature 3	\$170.03
HyLife	\$167.87
Thunder Creek	\$169.95
Sig 3 4-Month Fwd.	\$ 177.94
<b>BoC Rate (Noon) prev. day</b> \$1.2853 CAD / \$0.7780 USD	
Cash Prices Week Ending May 7, 2016	
Signature 3	166.46/75.51
h@ms Cash	164.96/74.83
HyLife	n/a
Thunder Creek	158.60/71.94
ISO Weans	\$38.85 US Avg.
Feeder Pigs	\$71.96 US Avg.
#1 Export Sows (+500lbs.)	\$41.00/cwt. (Tagged)

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		183.36 189.29	184.00 191.11	172.50 186.73	158.76 165.27	158.16 159.35	135.48 151.48	137.25 143.18	140.23 145.53	147.89 149.07
Soymeal Wpg Delivered	494	497	497	495	493	489	488	488		
Corn	Local delivered price available on request									

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HWY #6 AND RD 236

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