



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

Hog Margin Outlook

Meeting Your Marketing Needs

Thursday, May 12, 2016

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Forward contract prices opened mixed this morning. US cash prices made gains of around \$1.00/cwt in all reporting regions, with hog numbers tightening up slightly from the ample supplies seen over the last two weeks. The weekly hog slaughter is on pace for a 3% increase over year ago levels, but with some support from higher wholesale pork prices, packers have been willing to add money to their cash bids. The margin between hog costs and wholesale pork sales rarely improves into the summer timeframe (as hog and pork supplies tighten), forcing packers to compete more aggressively. One difference this year is the degree with which the market is relying on growth in export sales to offset the impact of heavy chicken and beef supplies. Lean hog futures are still factoring in a further \$7.00/cwt rally into the summer months which would imply cash market highs that exceed year ago levels and represent good profitability for most Western Canadian hog producers. However, should the cash market struggle to make further gains, all offered contracts would likely come under pressure and put the current projected positive margins for the Oct –Dec timeframe at risk.

Canadian delivered soymeal prices opened higher this morning. Corrective action and profit taking were cited as factors contributing to pressure seen across all soybean futures contracts yesterday. Earlier today the pressure reversed and the market was trading higher to start the session; it has since turned lower once again. At least one influential financial services company has stated that the rally was 'overdone', but also that the volatility is likely to be sustained in the short term. Lowered production expectations and decent demand estimates continue to support technical trades (there are rumors Chinese demand is currently understated), and it could intensify if the US weather becomes uncooperative.

US corn futures opened higher this morning. Like soybeans, the US corn futures trade came under pressure yesterday, but have since turned higher. For Tuesday's WASDE report, Brazil losses came in at 4.5 MMT compared to the 10 MMT rumored, but further losses are expected due to ongoing dry weather. As well, thoughts that US planting is slowing down amid poor weather (localized hail accumulation has been measured in feet (!)) and thoughts that actual yields could come in lower than the trend line (currently used for estimates) is providing ongoing support. Also like beans, the US corn trade is expected to trade in a choppy pattern in the short term.

US Slaughter	
431,000	Wednesday
420,000	Wednesday (year ago)
Daily Prices	
W. Corn Belt	\$74.13
National	\$75.52
Iowa/S. MN.	\$74.24
Signature 3	\$174.42
HyLife	\$172.24
Thunder Creek	\$174.28
Sig 3 4-Month Fwd.	\$ 176.42
BoC Rate (Noon) prev. day \$1.2836 CAD / \$0.7791 USD	
Cash Prices Week Ending May 7, 2016	
Signature 3	166.46/75.51
h@ms Cash	164.96/74.83
HyLife	163.68/74.24
Thunder Creek	158.60/71.94
ISO Weans	\$37.93 US Avg.
Feeder Pigs	\$70.64 US Avg.
#1 Export Sows (+500lbs.) \$45.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #3		185.31 190.01	183.48 190.60	172.43 186.53	158.38 164.84	157.69 158.87	134.63 150.48	136.39 142.26	138.17 146.40	148.75 149.93	149.15
Soymeal Wpg Delivered	551	544	530	528	527	524	525	525			
Corn	Local delivered price available on request										

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