Hog Margin Outlook

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Monday, May 16, 2016

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

US Slaughter	
2.118 mil.	Last Week
2.075 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	$75.40
National	$76.25
Iowa/S. MN.	$75.72
Signature 3	$178.84
HyLife	$172.56
Thunder Creek	$179.20
Sig 3 4-Month Fwd.	$ 174.85
***BoC Rate (Noon)** prev. day* $1.2940 CAD / $0.7728 USD	
Cash Prices Week Ending May 14, 2016	
Signature 3	174.21/79.02
h@ms Cash	172.71/78.34
HyLife	171.71/77.89
Thunder Creek	168.50/76.43
ISO Weans	$36.40 US Avg.
Feeder Pigs	$65.34 US Avg.
#1 Export Sows (+500lbs.) $45.00/cwt. (Tagged)	

Forward contract prices opened lower this morning. *US cash markets are expected to struggle to make gains this week, unless wholesale pork prices see some immediate improvement. Wholesale pork prices dropped to their lowest level for the week on Friday, with all of the primal cuts reporting weakness. Correspondingly, packers have seen their operating margins come under pressure and been cut in half over the last 2-3 weeks as a result. Last week's hog slaughter was estimated at 2.16 million hogs, about 1.5% larger than year ago levels. An increase in hog numbers was not anticipated by many analysts until mid-summer; instead, they expected a reduction in slaughter hogs due to a faulty product which was supposed to extend the life of semen used for artificially insemination. Lean hog futures will likely find it difficult to make any significant gains given the weak cash market fundamentals. 2016 forward prices are slightly lower with pressure coming from weaker Lean Hog futures and a stronger Canadian Dollar. Producers without protection for the Oct –Feb timeframe should consider pricing as much as half of their production at current prices.*

Canadian delivered soymeal prices opened even this morning. *Amid thoughts that the recent rally was a bit overdone and bearish weather on the horizon, the US soybean futures market has opened lower to start the week. Above normal temperatures and suspicions that the recent wet weather will curb corn planting and incent farmers to switch to beans are the dominant weather developments in the US. As well, retail sales and industrial production in China has come in below forecasts indicating economic activity is in decline. Some short term support, however, could be coming from Argentina where port workers, typically handling 75% of Argentine grain exports, have gone on strike.*

US corn futures opened lower this morning. *A bearish tone remains in the US corn futures market, but there are already thoughts that demand for the US variant could start to pick up soon. Losses in Brazil are coming in anywhere between 2.5 and 8 MMT (and potentially higher) leading some to suggest that Brazil customers may have to turn to the US (or the Black Sea region) to secure supplies. There are hopes that Chinese demand will pick up, but this is looking increasingly over-optimistic and further complicated by the uncertainty over the state reserve liquidation. The Argentine port workers' strike, which is typical this time of year and not expected to last long, could result in some short-term disruptions.*

Fixed Forward Range (at opening)	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #3		186.64 188.42	182.77 189.86	173.04 187.21	158.87 165.37	158.28 165.37	135.34 151.29	137.11 143.02	139.13 147.43	149.80 150.98	150.34 150.34
Soymeal Wpg Delivered	555	548	533	531	529	527	527	527			
Corn	Local delivered price available on request										