



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

Hog Margin Outlook

Meeting Your Marketing Needs

Friday, June 03, 2016

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Forward contract prices opened mixed this morning. US cash markets continue their late-week rally and have finally exceeded levels witnessed earlier this month. Packers are seeing support for their primal cuts from the processing sector, with hams and bellies recovering to their recent highs last seen about a month ago. The strong support experienced in the cash market over the last two days was enough to calm the concerns of futures traders over the summer market potential. All offered contracts are now trading at or near their contract highs, which represents an excellent selling opportunity for producers. The July lean hog futures contract is currently holding a \$7.00/cwt premium over the current cash market which implies a return to the solid seasonal performance we typically expect when production slows to its lowest level of the year. However, the reality of the heavy fall hog supply and a reliance on exports (to clear the record amount of pork) are still large sources of price risk that have not yet been addressed. Unfortunately, a sharp rally in the Canadian Dollar due to a poor US employment report has offset some of the recent gains in forward prices; but fall and winter month prices still represent good value.

Canadian delivered soymeal prices opened higher this morning. Support across the soybean complex continues following evidence the world's largest bean exporter (Brazil) and meal exporter (Argentina) are both experiencing supply pipeline challenges for a host of reasons depending on location. The important thing to note is that global supply in the short term has been curbed and recent price response is reflecting these issues. As well, there is talk that Chinese feed buyers are turning to the US on rumors that the high price of Chinese pork is influencing a herd expansion. The large speculative funds continue buying (an activity that began earlier in the week), contributing to the supportive tone.

US corn futures opened lower this morning. The US corn futures market is a little cooler than the bean trade, largely because there is evidence of decent supplies for now despite earlier US planting challenges (new crop ending stocks are estimated as high as 2.1 billion bu. according to some private estimates). US corn futures have turned lower this morning, in stark contrast to beans; there is currently little rationale for more support until a weather premium or demand shift develops. Argentina basis levels are extremely high (+1.80 the nearby contract) in order to incent farmer selling. Ongoing supply constraints in Brazil are also pushing up prices meaning there is talk that demand interest could indeed shift to the US at some point.

US Slaughter	
436,000	Thursday
420,000	Thursday (year ago)
Daily Prices	
W. Corn Belt	\$75.68
National	\$76.96
Iowa/S. MN.	\$75.91
Signature 3	\$181.45
HyLife	\$177.31
Thunder Creek	\$181.60
Sig 3 4-Month Fwd.	\$ 173.63
BoC Rate (Noon) prev. day \$1.3080 CAD / \$0.7645 USD	
Cash Prices Week Ending June 04, 2016	
Signature 3	177.11/80.34
h@ms Cash	175.61/79.66
HyLife	n/a
Thunder Creek	177.00/80.29
ISO Weans	\$27.39 US Avg.
Feeder Pigs	\$62.45 US Avg.
#1 Export Sows (+500lbs.) \$45.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		191.84 198.96	181.87 196.11	159.14 165.67	158.35 159.53	134.99 151.00	136.77 142.70	139.46 147.80	150.18 151.37	151.02 151.02	151.61
Soymeal Wpg Delivered	635	621	595	579	565	561	561				
Corn	Local delivered price available on request										

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