



# Hog Margin Outlook

Meeting Your Marketing Needs

Monday, March 21, 2016

For details call: (204)235-2237 or visit

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

**Forward contract prices opened lower this morning.** US cash markets finished last week lower, and near their lowest level in the last two months. Last week's slaughter reflected a tightening of the hog supply, with the USDA estimating it at 2.187 million hogs, down approximately 2.5% from year ago levels. Packers are managing their operating margins through disciplined buying, as wholesale pork prices are flat, and struggling to make gains. Over the last week, ham values have dropped about 7% in value as Easter holiday demand has been met. Offsetting this weakness has been gains in the belly primal, which are now valued at nearly double last year's level. This week's trade in lean hog futures is likely to see significant influence from Friday's release of the USDA Hogs and Pigs report. Bearish pressure on the fall and winter month contracts could develop as producer hedging activity is expected to be high, with producers able to secure margins better than break-even levels. Producers should consider having as much as 50% of their Sep-Dec production priced at current prices.

**Canadian delivered soymeal prices opened higher this morning.** Some developments in S. America are proving to give the market a supportive tone to start the week. To this point, weather is largely cooperative and production volumes south of the equator are expected to be large, approaching or surpassing record production levels. However, a number of truckers' strikes (typical at harvest), a recent port strike, and some political unrest unrelated to agriculture are all constricting normal supply pipelines. Despite this, there is talk of weakening basis for US meal and information suggesting that Argentine meal is making its way into the US headed for North Carolina. Private acreage estimates are starting to trickle out; the most recent one suggests 84 million acres is possible, compared to the USDA's 82.5 million acre outlook.

**US corn futures opened higher this morning.** It is generally mixed news for the US corn trade as on the one hand, Argentine competitiveness and China's import lows are pressuring the trade, while news of sales to Pakistan and talk of open tenders in other markets are supportive. The trade is also supported by thoughts that the El Nino concerns (more accurately, the effects of El Nino coming to an end) could curb North American crop production. In the meantime, it should not go unnoticed that significant competition from Argentina will likely pressure in the near to mid-term. Evidence shows Argentina exported 2.6 MMT of February corn compared to 700,000 MT last year, likely a function of aggressive sales stemming from a low peso.

US Slaughter	
2.187 mil.	Last Week
2.238 mil.	Last Week (year ago)
Daily Prices	
W. Corn Belt	\$61.12
National	\$67.14
Iowa/S. MN.	\$61.06
Signature 3	\$145.44
Hylife	\$153.43
Thunder Creek	\$144.97
Sig 3 4-Month Fwd.	\$ 180.09
<b>BoC Rate (Noon) prev. day</b> \$1.2982 CAD / \$0.7703 USD	
Cash Prices Week Ending March 19, 2016	
Signature 3	152.69/69.26
h@ms Cash	151.19/68.58
Hylife	157.14/71.28
Thunder Creek	155.30/70.44
ISO Weans	\$42.66 US Avg.
Feeder Pigs	\$79.01 US Avg.
#1 Export Sows (Tagged) \$28.50/cwt (+500lbs.)	

Fixed Forward Range (at opening)	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		158.05 160.43	172.26 186.52	187.71 193.65	184.00 194.25	171.53 185.78	157.28 163.81	156.38 157.56	133.02 149.03	134.80 140.73
Soymeal Wpg Delivered	402	403	403	406	406	408				
Corn	Local delivered price available on request									

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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