

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

Hog Margin Outlook

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Tuesday, April 29, 2014

Forward contract prices opened higher this morning. US cash markets started this week with higher bids, reflecting the tight supply of meat in general and pork more specifically. If supplies follow the seasonal trend, available hog numbers will shrink by about 170,000 hogs over the next 6 weeks. Market participants are fully aware of this trend and will look to add supplies now, in advance of tighter numbers. This factor may have contributed to the gains in the pork cut-out yesterday when the benchmark value of primal pork cuts gained about \$2.00/cwt. Nearby Lean Hog futures continue to hold a premium to the cash market, reflecting the expectation that the prices will rise in response to the tighter supply. There is still significant uncertainty relating to the deferred month contracts as there were 200 more PED positives in the most recent week's report. Overall, Lean Hog futures are expected to see more influence from the cattle market after last week's Cattle on Feed report showed fewer placements and reflecting tighter supplies ahead.

Canadian delivered soymeal prices opened lower this morning.

Tight old crop stocks continue to influence (and even exacerbate) price implications as related to fundamental news. To be sure, support was found yesterday on talk of improving Chinese crush margins and also that the previously announced state auction has been postponed for the time being. Crop progress numbers showed 3% planted acres relative to the 4% 5-yr average but the general consensus is that it is really much too early for new crop price movements until acreage and yield (and the weather impact) becomes more certain.

Canadian delivered corn prices opened even this morning.

Yesterday's Crop Progress report provided support with planted acreage coming in at 19%; the market was expecting planting to be up to over 20% amid decent weather vs. the 6% reported last week. While it is still early in the planting season, there is talk that the further planting is 'pushed back' the more likely for acres to be switched to something else. However, it is a well-known fact that US farmers can plant massive amounts of corn in a very short timeframe; it is still much too early for major new crop futures movements.

US Slaughter	
344,000	Monday
416,000	Monday (year ago)
W. Corn Belt	\$111.85
National Price	\$114.95
Daily Sig 3	\$226.20
Daily Sig 4	\$225.12
Thunder Creek	\$226.66
4-Month Fwd.	\$226.70
B of C Ex. Rate (Noon) \$1.1033 CAD/ \$0.9063 USD	
Cash Prices Week Ending April 25, 2014	
Signature 3	105.60/232.80
Signature 4	103.64/228.49
h@ms Cash	102.96/226.99
Hylife	102.07/225.02
Thunder Creek	106.05/233.80
ISO Weans	\$80.10 US Avg.
Feeder Pigs	\$129.14 US Avg.
#1 Export Sows (+500lbs)	\$91.00 cwt.

Fixed Forward Range	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		239.46	240.97 246.50	237.77 245.33	216.30 235.85	200.68 208.24	196.67 203.24	168.54 176.62	174.10 176.62	168.46 168.46	169.99 169.99
Maple Leaf Sig. #4		235.97	233.83 239.87	231.42 239.03	216.39 230.54	196.87 211.12	196.61 199.55	169.76 180.53	174.85 178.47	169.84 170.23	171.22 171.22
Soymeal Winnipeg Delivered	645	648	648	649	649	649					
Corn Wpg. Delivered	190	192	194								

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