Hog Margin Outlook

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Thursday, May 22, 2014

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

US Slaughter	
406,000	Wednesday
412,000	Wednesday (year ago)
W. Corn Belt	$109.38
National Price	$110.45
Daily Sig 3	$219.20
Daily Sig 4	$214.35
Thunder Creek	$219.23
4-Month Fwd.	$226.17

B of C Ex. Rate (Noon)
$1.0933 CAD/ $0.9146 USD

Cash Prices Week Ending May 16, 2014	
Signature 3	98.77/217.74
Signature 4	98.09/216.25
h@ms Cash	97.41/214.75
Hylife	97.06/213.97
Thunder Creek	101.33/223.40

ISO Weans	$72.02 US Avg.
Feeder Pigs	$126.17 US Avg.
#1 Export Sows (+500lbs)	$73.00 cwt.

Forward contract prices opened lower this morning. *US cash markets were lower in yesterday's trade, giving back most of what they gained earlier in the week. The daily hog slaughter was estimated at 406,000 hogs, only 1.5% lower than year ago levels, but consistent with recent weeks. Packers remain disciplined in their buying programs but are finding it easier than anticipated to fill their schedules despite concerns of tight supplies due to the PED outbreak. Packers are dealing with marginal profitability on fresh pork sales, a characteristic typical of the spring pork market when supplies tighten and demand firms. However, carcass weights averaging 5 lbs more over the last two months have alleviated some of the impact tighter hog numbers. Near term futures continue to trade consistent with levels traded over the last two weeks, and traders are holding on to the idea of a significant drop in supply before the June contract expires in 3 weeks' time. Beyond that, the market has factored in another $7.00/cwt rally over the following 4 weeks, a move that appears increasingly unlikely given the sluggishness of the cash market. Producers should consider summer and fall month forward contract prices as good value as the losses due to PED appear to have been overestimated and pork supply may not be as constrained as previous thought.*

Canadian delivered soymeal prices opened higher this morning. *Continued strength in the trade is a function of fund buying, tight supplies and consistent demand for the old crop; new crop is supported on thoughts of an improving Chinese economy and news of Chinese purchases for 2014/15; there is also talk that crush margins in the country have improved "dramatically". Contract highs were reached for the July contract yesterday and November traded at an 11-month high. New highs could be reached today as the old crop fundamental situation appears to support current premiums.*

Canadian delivered corn prices opened even this morning. *US corn futures are trading higher. Corn remains supported on strength in other commodities (particularly, soybeans) and consistent, steady demand. There is an expectation of increased demand from ethanol plants as they increase production; stocks of the fuel are reported as dropping 1.8% from last week (4.99% from last year). There is talk that other undisclosed countries have picked up some slack from the earlier Chinese cancellations, adding some support.*

Fixed Forward Range	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		228.91 232.91	242.77 245.28	225.01 248.78	208.48 217.00	205.61 212.14	174.07 182.11	179.59 182.11	171.27 171.27	166.94 172.78
Maple Leaf Sig. #4		221.87 226.32	234.70 237.42	223.22 241.10	203.83 217.99	203.68 206.59	173.52 184.22	178.58 182.18	171.12 171.51	167.31 173.26
Soymeal Winnipeg Delivered	655	655	657	657	657					
Corn Wpg. Delivered	184	184	185							

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