

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Monday, August 11, 2014

Forward contract prices opened lower this morning. US cash markets are expected to open steady to lower as hog numbers are more abundant than was anticipated. This could lead to some plants adding hours to their production schedule. Packer profitability remains strong as cash bids have fallen faster than wholesale pork prices, leaving wider production margins for packers. Last week's slaughter was estimated to be down around 6% with almost this entire deficit in numbers made up by heavier hog weights. After losing 15% of their value over the last 3 weeks, Lean Hog futures are expected to find some support as Funds have already reduced the size of their net 'Long' position by about six thousand contracts over the same timeframe. Fundamental factors still suggest that we have yet to experience our biggest 'hole' in marketings which makes it difficult to rationalize the \$20/cwt discount that the October contract is trading to the cash price, the largest for this time of year.

Canadian delivered soymeal prices opened higher this morning. Trading volumes are expected to be relatively low until USDA reports start being released. Starting at 12:00 noon today, The Weekly Weather and Crop Bulletin, World Agricultural Production, World Markets and Trade (grains and oilseeds), Crop Production and the WASDE report will all be released in the span of about 4 hours with WASDE (noon) and Crop Production (4PM) reports most influential on the US trade.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Despite bearish US supply estimates, support is thought to be a function of pre-report positioning as the general consensus among traders is that ideal weather conditions are making the prospect of very large yields more and more likely. It is also thought to come from news that the hedge funds raised their net long positions by some 8000 contracts last week, rumored to be a function of escalating tensions in the Ukraine.

US Slaughter	
1.919 mil.	Last Week
2.025 mil.	Last Week (year ago)
W. Corn Belt	\$114.32
National Price	\$119.06
Daily Sig 3	\$230.13
Daily Sig 4	\$232.09
Thunder Creek	\$229.61
4-Month Fwd.	\$176.47
B of C Ex. Rate (Noon) \$1.0982 CAD/ \$0.9105 USD	
Cash Prices Week Ending August 8, 2014	
Signature 3	106.04/233.78
Signature 4	106.95/235.79
h@ms Cash	106.27/234.29
Hylife	105.23/231.98
Thunder Creek	109.54/241.50
ISO Weans	\$68.98 US Avg.
Feeder Pigs	\$107.74 US Avg.
#1 Export Sows (+500lbs)	\$85.50/cwt. tagged

Summary of Traders' pre-WASDE Report Estimates			
	Measure	Avg Est	Range
Soybeans	Yield (bpa)	45.6	44.5-47.0
	Crop (bn bu)	3.823	3.700-3.951
	'14 End-ing Stock	136 mil	125-142 mil
Corn	Yield (bpa)	170.1	168.0-174.8
	Crop (bn bu)	14.253	13.988-14.778
	'14 End-ing Stock	1.240 bn	1.196-1.356 bn

Source, Meyer and Steiner, DLR; Reuters

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		190.50 193.01	185.40 193.96	161.15 171.21	162.66 169.20	160.45 166.01	163.68 167.52	163.68 165.20	166.05 171.12
Maple Leaf Sig. #4		187.29 195.85	185.19 189.87	161.12 174.37	165.99 169.70	164.08 166.24	163.79 168.0	163.59 164.57	163.94 169.04
Soymeal Winnipeg Delivered	543	543	457	453	453	454	454	454	
Corn Winnipeg. Delivered	178	160							

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