



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

Hog Margin Outlook

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Thursday, September 04, 2014

Forward contract prices opened mixed this morning. US cash markets are strengthening this holiday-shortened week with higher bids and indications that packers will be unable to fill all of their shackles. Hog numbers appear to be tightening relative to year ago levels and hog weights are making a counter seasonal move lower, indicating that producers are current with their marketings. While the pork cut-out experienced some support earlier this week, it is still trading no better than steady with week ago levels despite dwindling fresh pork inventory. Lean Hog futures have been the most responsive to the bullish supply fundamentals, with the Oct and Dec contracts gaining close to \$10/cwt over the last ten days. This recent surge could encourage new sellers into the market, which could limit further gains. Producers without protection in the 4th Quarter of 2014 should consider current prices as good value given the modest decline that are reflected in the current forward prices for a time when we anticipate a return to more 'normal' supply conditions.

Canadian delivered soymeal prices opened lower this morning. Continued talk of 47+ bpa yields and rumors of strong production from early harvest activity in the US are pressuring the soybean market. There is even talk that some processors will be able to source beans after all, now that some of the players are out of the game and buying has backed off a bit, pressuring the nearby trade and bridging the gap between old and new crop spreads. Old crop meal remains ridiculously high, however, is showing signs of letting up. Talk of frost originating from a front in Alberta and moving into the Dakotas remains supportive.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower on sustained pressure following yield expectations that are surpassing 170 bpa. A private analyst yesterday published an estimate of 171.4 bpa, surpassing the current USDA's estimate of just under 170. Whether or not 170 is surpassed is almost immaterial as even the 'lower' USDA estimate completely bucks the yield trend line and could translate into massive production for 2014/15. Nonetheless it is widely accepted that the USDA will revise yield estimates higher which could come as early as the next WASDE report on the 11th.

US Slaughter	
416,000	Wednesday
433,000	Wednesday (year ago)
W. Corn Belt	\$94.18
National Price	\$94.95
Daily Sig 3	\$187.70
Daily Sig 4	\$183.25
Thunder Creek	\$187.28
4-Month Fwd.	\$175.62
B of C Ex. Rate (Noon)	
\$1.0873 CAD/ \$0.9197 USD	
Cash Prices Week Ending August 29, 2014	
Signature 3	84.56/186.43
Signature 4	88.58/195.28
h@ms Cash	87.90/193.78
Hylife	87.35/192.58
Thunder Creek	88.77/195.70
ISO Weans	\$57.37 US Avg.
Feeder Pigs	\$77.70 US Avg.
#1 Export Sows (+500lbs)	\$62.00/cwt. tagged

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		191.97 198.45	167.28 175.25	168.77 174.75	160.73 166.22	161.23 167.72	162.73 166.22	168.28 171.30	169.19 176.24	174.22 180.27
Maple Leaf Sig. #4		191.49 196.12	167.77 177.61	171.82 175.49	159.80 165.99	161.45 166.96	161.45 165.12	166.66 168.81	166.86 175.05	173.30 176.03
Soymeal Winnipeg Delivered	756	445	429	429	426	426	422			
Corn Wpg, Delivered	162									

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