



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Monday, September 08, 2014

Forward contract prices opened mixed this morning. US cash markets are expected to start this week with firm bids with support coming from strong packer operating margins and tight supplies. Last week's trade proved to be a transition from the bearish trend of the previous 6 weeks to a bullish trend, reflecting stronger fundamentals. Pork production has been making a counter seasonal move to tighter levels, with influence coming from both tight hog numbers and decreasing carcass weights. Last week pork production was down nearly 7% from year ago levels, one of the largest weekly deficits experienced so far in 2014. Evidence suggests that hog producers experienced their greatest death loss of baby pigs due to PEDv in early March, resulting in the 'hole' in slaughter ready hogs that we are currently experiencing. The deficit in supply is not expected to be dealt with for several weeks, so cash and nearby futures contracts are expected to remain strong. However, 2015 spring and summer month contracts are trading close to historical levels, with a belief the market will return to 'normal' supply conditions.

Canadian delivered soymeal prices opened higher this morning. Some risk premium is being 're-introduced' into the trade on frost fears which could impact production estimates if widespread. The frost threat is exacerbated on thoughts of a cold front from Canada moving into the Dakotas that is expected to generate snow in the Calgary area tonight. Pressure comes from generally high yield expectations and further by a record net-short position held by the funds. However, if production numbers are questioned at the same time the funds engage in short covering, volatility could increase significantly.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Pressure on the trade has been maintained by good weather that is expected to generate record production on high yield expectations that are now inching toward the 174 bpa mark. There is only marginal talk of a risk premium for the US corn crop currently. Traders are anxiously awaiting Thursday's WASDE report which is widely expected to show revisions upward to the current USDA yield estimate of just less than 170 bpa. In any case, there will likely be a record corn crop in the US this year, contributing to pressure overall.

US Slaughter	
1.780 mil.	Last Week
1.983 mil.	Last Week (year ago)
W. Corn Belt	\$98.67
National Price	\$95.48
Daily Sig 3	\$196.96
Daily Sig 4	\$184.56
Thunder Creek	\$196.60
4-Month Fwd.	\$179.09
B of C Ex. Rate (Noon)	
\$1.0890 CAD/ \$0.9182 USD	
Cash Prices Week Ending September 05, 2014	
Signature 3	84.94/187.25
Signature 4	83.75/184.63
h@ms Cash	83.07/183.13
Hylife	82.98/182.94
Thunder Creek	83.82/184.80
ISO Weans	\$58.79 US Avg.
Feeder Pigs	\$80.42 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	Jul
Maple Leaf Sig. #3		195.52 199.03	175.14 183.17	176.65 182.67	167.88 173.41	164.53 174.91	166.03 169.55	170.56 173.58	172.67 179.72	177.71 183.75	179.23
Maple Leaf Sig. #4		194.97 197.88	175.43 185.35	179.51 183.21	166.75 172.98	164.67 173.95	164.67 168.37	168.87 171.01	170.23 178.43	176.67 181.55	176.58
Soymeal Winnipeg Delivered	702	446	434	434	431	427	427				
Corn Wpg, Delivered	162										

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