

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, September 11, 2014

Forward contract prices opened mixed this morning. Mid-western packers are bidding up the cash market in an effort to secure additional supplies as most plants continue to find their pork inventories being drawn down, a counter seasonal occurrence. All of the primal cuts have gained value over the last week, reflecting reduced production schedules. Lean Hog futures are pricing in a further rally in the cash market, a complete reversal from 3 weeks ago. In fact, the October Lean Hog futures have gained close to 20% of its value over the last three weeks, matching the remarkable futures rally experienced in March when the number of PEDv case accessions was at its peak. However, currently traders do not believe that the 'hole' in supply will last much beyond October, as the December contract is trading at a discount of close to \$10/cwt. Over the first half of 2015, current forward prices suggest a return to more 'normal' price trends, reflecting ideas that PEDv will not dominate the market as it has over the last 6 months. However, it is still very much unclear if the industry can manage the disease effectively throughout the fall and winter months.

Canadian delivered soymeal prices opened lower this morning. Light volumes are expected ahead of today's WASDE report, scheduled for release at 12:00 noon, Eastern. Early morning trade has seen some mixed action; there are thoughts that the early harvest (progressing in the Delta) will start to bridge old crop/new crop, but meal spot prices remain high. Yields are expected to be revised upward although 'how much higher' remains to be seen. Private estimates that have ventured as high as 48 bpa and talk of S. American acreage increasing by 5% is pressuring. Support comes from pre-report short covering.

Canadian delivered corn prices opened higher this morning. US corn futures are trading lower. Potential of an early frost remains mildly concerning and there is some support stemming from excessive rainfall in areas of the WCB, but most attention is on today's WASDE report. Average estimates put production 256 million bu. higher at 14.288 billion bu. on 170.7 bpa yields. Private estimates reach 174+ bpa as an average for the year but it is highly unlikely the yield estimate will be revised that high in today's report. Meagre demand data and global competition (i.e. cheaper corn elsewhere) are also pressuring.

US Slaughter	
413,000	Wednesday
408,000	Wednesday (year ago)
W. Corn Belt	\$102.60
National Price	\$98.59
Daily Sig 3	\$206.03
Daily Sig 4	\$191.71
Thunder Creek	\$206.39
4-Month Fwd.	\$183.54
B of C Ex. Rate (Noon) \$1.0955 CAD/ \$0.9128 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)	not available

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		203.51 207.05	180.38 188.47	181.89 187.97	173.55 179.13	171.82 180.65	173.34 176.90	176.58 179.61	177.29 184.36	182.34 188.40	184.28
Maple Leaf Sig. #4		201.38 204.32	179.18 189.17	183.29 187.02	171.50 177.79	171.40 178.77	171.40 175.13	174.32 176.47	174.32 182.34	180.58 185.47	180.91
Soymeal Winnipeg Delivered	686	435	424	424	422	419	419				
Corn Wpg, Delivered	155	155	163	169	169	169	173				

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