

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, September 18, 2014

Forward contract prices opened lower this morning. US cash markets are trading firm, with packers attempting to fill their expanded slaughter schedules by increasing their bids. However, the October Lean Hog futures have swung to a bearish trend over the last couple of days, with traders believing that the cash market support will not last another 3 weeks when the contract expires. In fact, the early morning trade has pushed to limit down intermittently and could limit the extent to which forward contracts can be made over the course of the day. Carcass weights continue to run 11 pounds heavier than year ago levels, which negates close to 5% of the ongoing deficit in hog numbers which currently is running near 10%. The December and February Lean Hog futures continue to follow the lead of the October contract, but the supply situation by mid-winter is not expected to show a significant deficit based on the number of positive PEDv test reports. The Spring/Summer 2015 market will be heavily reliant on how the disease progresses over the next 5 months. If the numbers of positive PEDv cases build in a similar way as they did last year, the market would likely add value in excess of 15% to the deferred month contracts.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower. There is talk that an old crop/new crop spread collapse will take place 'soon' as the production from harvest starts to make its way to processors. Pinpointing 'when', however, is very much the question and spot prices for meal remain high, albeit showing some weakness. Weather remains a bearish influence and preliminary yield reports have been favourable adding pressure. Export demand has been strong but not enough to offset large crop expectations.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Expected production estimates on yields up to 174 bpa are pressuring. Although the Chinese continue to reject certain US corn varieties there is talk that some SE Asian countries are starting to buy US corn. A Chinese trade delegation is in the US to discuss the issue but rumors are no progress has been made to date. Harvest could be held up by some rain over areas of the Corn Belt but the precipitation forecast is spotty and not a guaranteed event.

US Slaughter	
416,000	Wednesday
429,000	Wednesday (year ago)
W. Corn Belt	\$104.38
National Price	\$103.35
Daily Sig 3	\$209.54
Daily Sig 4	\$200.90
Thunder Creek	\$209.43
4-Month Fwd.	\$173.40
B of C Ex. Rate (Noon) \$1.0952 CAD/ \$0.9130 USD	
Cash Prices Week Ending September 12, 2014	
Signature 3	92.03/202.89
Signature 4	86.15/189.93
h@ms Cash	85.47/188.43
Hylife	86.34/190.34
Thunder Creek	86.55/190.80
ISO Weans	\$60.57 US Avg.
Feeder Pigs	\$79.95 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		193.48 196.99	167.40 175.43	168.91 174.93	163.65 169.19	161.98 170.70	163.49 167.02	168.17 171.20	171.56 178.64	176.62 182.68	179.19
Maple Leaf Sig. #4		191.64 194.55	166.58 176.50	170.66 174.36	161.89 168.13	161.83 169.11	161.83 165.54	166.18 168.33	168.78 176.81	175.04 179.94	175.98
Soymeal Winnipeg Delivered	634	422	411	411	409	408	408				
Corn Wpg, Delivered	155	155	163	168	168	168	171				

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STRENGTH IN NUMBERS

