



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

# Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, September 30, 2014

**Forward contract prices opened higher this morning.** US cash markets remain strong with yesterday's slaughter estimated at a modest 376,000, about 8% smaller than last week's. It appears US packers still have some 'holes' in supplies to fill which should keep bids competitive, especially as packer profitability remains good. The pork cut-out, or aggregate value of all the pork primal cuts, gained more than \$2.00/cwt to \$120.69 in yesterday's trade, the highest price in nearly 2 months. Lean Hog futures finished yesterday's trade higher for the 2014 contracts and near steady for the 2015 futures months. It appears that the market already had expectations of a growing supply, or believed that the losses from PEDv will mitigate the supply increases. However, one cannot overlook the improvement we have seen in demand over the last year. A stronger economy and higher beef prices help to explain why our forward prices for November and January are running at better than a 15% premium compared to last year's cash prices when pork production is expected to increase.

**Canadian delivered soymeal prices opened mixed this morning.** US soybean futures are trading lower. Support comes from news that as much as 90% of the growing region could see up to 1.5 inches of rain, slowing fieldwork. As well there are concerns of frost in the more northern regions again and as fieldwork slows, a risk of frost becomes more likely. Pressure comes from news of exceptional yields and the fact that frost is ultimately unlikely to cause widespread damage in this stage of development, despite concerns. Crop progress yesterday showed only 10% harvested but 72% in good excellent condition.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower after showing support for most of the trade yesterday amid rumors of short covering ahead of today's Grain Stocks report. Massive yields are expected to provide a buffer for any surprises in the report but the trade still remains exposed to a bullish shock on news of wetter weather and frost warnings ahead. Harvest remains slow at only 12% complete but 74% is showing good/excellent condition and yields range from 170 to 250 bpa (!) in some areas.

| US Slaughter  |                      |
|---|----------------------|
| 376,000   | Monday               |
| 434,000   | Monday<br>(year ago) |
| W. Corn Belt  | \$108.23             |
| National Price  | \$107.08             |
| Daily Sig 3   | \$221.10             |
| Daily Sig 4   | \$211.82             |
| Thunder Creek   | \$221.03             |
| 4-Month Fwd.  | \$173.30             |
| <b>B of C Ex. Rate (Noon)</b><br>\$1.1145 CAD/ \$0.8972 USD |                      |
| <b>Cash Prices Week Ending<br/>September 26, 2014</b>       |                      |
| Signature 3   | 98.10/216.27         |
| Signature 4   | 93.36/205.82         |
| h@ms Cash   | 92.68/204.32         |
| Hylife  | 93.04/205.11         |
| Thunder Creek   | 95.44/210.40         |
| ISO Weans   | \$62.86 US Avg.      |
| Feeder Pigs   | \$82.00 US Avg.      |
| #1 Export Sows (+500lbs)                                    | \$53.50 cwt. Tagged  |

| Fixed Forward Range<br>(at opening) | Sep | Oct | Nov              | Dec              | Jan              | Feb              | Mar              | Apr              | May              | Jun              | Jul              |
|-------------------------------------|-----|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf<br>Sig. #3               |     |     | 179.33<br>187.54 | 180.87<br>187.02 | 170.18<br>175.83 | 169.15<br>177.37 | 170.69<br>174.29 | 174.82<br>177.90 | 178.01<br>185.20 | 183.15<br>189.31 | 181.34<br>186.48 |
| Maple Leaf<br>Sig. #4               |     |     | 178.23<br>188.36 | 182.40<br>186.17 | 168.28<br>174.65 | 168.87<br>175.64 | 168.87<br>172.66 | 172.68<br>174.86 | 175.06<br>183.22 | 181.43<br>186.41 | 182.08<br>184.87 |
| Soymeal<br>Winnipeg Delivered       | 407 | 401 | 394              | 394              | 393              | 390              | 390              |                  |                  |                  |                  |
| Corn Wpg, Delivered                 | 155 | 155 | 163              | 168              |                  |                  |                  |                  |                  |                  |                  |

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