



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

Hog Margin Outlook

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Wednesday, October 01, 2014

Forward contract prices opened mixed this morning. US cash markets are dealing with good fundamental support as hog numbers remain tight due to PEDv losses more than 5 months ago. Steady hog carcass weights are also contributing positively to the cash market trend, with average carcass weights reported at 214lbs, only 3% higher than year ago levels. Packers have recently tried to grow their slaughter schedules, but have found it difficult to maintain the increased volume, resulting in higher cash bids. Strong wholesale pork prices have enabled the recent 15% rally in cash hog prices, as packers are benefitting from excellent operating margins. Lean Hog futures are maintaining their steep discount to the cash market, reflecting ideas of a growing supply. Prices reflect a unique flat trend over the next 10 months, as the market takes out the 'PEDv premium' over this timeframe. However, it is still unclear as to whether the industry can avoid another spike in the number of cases, which suggests that there is greater upside potential than downside risk.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower after initial support following the Grain Stocks report released yesterday. 2013/14 ending stocks came in at 92 million bu., 34 million below average estimates and the lowest on record since the 1970's, providing initial support. However, with old crop almost entirely behind us, the market turned lower in the face of 475+ million bu. new crop estimates. In any event, it appears clear how local meal could reach \$800+ CAD/MT amid recent supply constraints. Nearby local meal basis has weakened \$200+ CAD/MT since August 22.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Unlike beans, the initial reaction to the Grain Stocks report had a bearish influence on the market and shows no signs of letting up eminently. Stocks have been revised upward to 1.236 billion bu. from the September WASDE report showing 1.181 billion (1.185 pre-report avg. estimate). Some support comes from a harvest that is only at 12%, but a risk premium is not entirely obvious and there is talk that a new resistance level could be set as low as \$2.63 USD/bu. Nearby corn is trading at \$3.19 as of this writing.

US Slaughter	
424,000	Tuesday
435,000	Tuesday (year ago)
W. Corn Belt	\$108.54
National Price	\$107.84
Daily Sig 3	\$222.99
Daily Sig 4	\$214.54
Thunder Creek	\$223.21
4-Month Fwd.	\$177.38
B of C Ex. Rate (Noon)	
\$1.1208 CAD/ \$0.8922 USD	
Cash Prices Week Ending September 26, 2014	
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 (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		174.69 182.90	176.23 182.39	169.95 175.60	170.05 177.14	171.59 175.19	176.34 179.43	178.40 185.62	183.56 189.75	182.05 187.22
Maple Leaf Sig. #4		173.73 183.88	177.91 181.69	168.05 174.43	169.75 175.42	169.75 173.53	174.16 176.35	175.45 183.65	181.85 186.84	182.80 185.60
Soymeal Winnipeg Delivered	392	383	383	386	384	384				
Corn Wpg, Delivered	155	163	168							

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WINNIPEG LIVESTOCK
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