



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

# Hog Margin Outlook

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Tuesday, October 07, 2014

**Forward contract prices opened higher this morning.** US cash markets continue to outperform expectations, driven by tight hog numbers and gains in the pork carcass cut-out. After dropping to \$100/cwt in late August, wholesale pork prices are up 24% over the last month, marking the biggest rally experienced over the month of September. Ham and loin primal values, which account for about half of the carcass by weight, made the largest contribution to the gains, which have led to the best profitability for packers in about three months. Near record cattle prices and a strengthening US economy have made significant contributions on the demand side by having consumers both more willing and able to pay higher prices for meat protein. This optimism was seen in the futures market yesterday with most contracts gaining \$1.50-\$2.00/cwt. However, the forward price curve remains relatively flat, with the summer month contracts trading at a discount to the December contract, when they normally hold a premium of US \$8-\$10/cwt.

**Canadian delivered soymeal prices opened higher this morning.** Beans saw support for most of the trading day yesterday on thoughts that a slower harvest could increase the risk of yield loss due to frost damage and some actual minor damage in the north. Yesterday's Crop Progress report released after trading confirmed the slower harvest (20% compared to 35% 5-year average) but the upward trend is expected to be short lived. Traders will now be looking forward to Friday's WASDE report to see if yields are further revised higher from September's 46.6 bpa estimate.

**Canadian delivered corn prices opened even this morning.** Technical indicators and a late harvest due to weather have been supportive despite massive production estimates. Crop Progress showed 17% supporting the slow harvest notion (32% 5-year average) although the good/excellent condition was 74% and there is less urgency with corn generally. Further direction should come on Friday when October WASDE numbers are released. Despite the recent bout of wet weather, traders generally expect yields to be revised upward from September's 171.7 bpa to ~174 bpa.

US Slaughter	
425,000	Monday
433,000	Monday (year ago)
W. Corn Belt	\$108.88
National Price	\$108.32
Daily Sig 3	\$223.03
Daily Sig 4	\$214.86
Thunder Creek	\$223.59
4-Month Fwd.	\$183.42
<b>B of C Ex. Rate (Noon)</b>	
\$1.1175 CAD/ \$0.8948 USD	
<b>Cash Prices Week Ending October 04, 2014</b>	
Signature 3	100.66/221.92
Signature 4	96.73/213.25
h@ms Cash	96.05/211.75
Hylife	96.16/211.99
Thunder Creek	98.97/218.20
ISO Weans	\$66.33 US Avg.
Feeder Pigs	\$84.94 US Avg.
#1 Export Sows (+500lbs)	\$53.00 cwt. Tagged

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		184.15 188.78	183.64 189.81	176.19 181.85	176.29 183.39	177.83 181.44	182.38 185.48	183.62 190.85	188.78 194.97	186.42 192.11
Maple Leaf Sig. #4		180.92 188.28	185.10 188.88	173.70 180.08	175.20 181.08	175.20 178.99	179.41 181.61	179.91 188.11	186.31 191.31	186.33 189.74
Soymeal Winnipeg Delivered	408	394	394	396	392	392				
Corn Wpg, Delivered	146	146	146							

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