



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

Hog Margin Outlook

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Monday, November 17, 2014

Forward contract prices opened higher this morning. US cash markets are expected to start the week near steady with hog supplies anticipated to run slightly below year ago levels; heavier carcass weights should cover most of the pork production deficit. Packer profitability is good despite some weakness in wholesale pork prices late last week; estimated gross operating margins at better than \$20/hog. Lean Hog futures have been on a 2 week bullish trend and have not been getting much support from the cash market. Funds continue to sit on a large 'long' position suggesting that they expect further gains in the 2015 contracts. Last week's PEDv update from the American Association of Swine Veterinarians (AASV) showed 71 cases for the week ending November 2, 2014, up from 65 the previous week. The market may have been adding a risk premium to the spring and summer futures months over the last two weeks in anticipation of a further spread in the disease, but there is still no evidence of a surge to 'epidemic' levels. Producers should consider building a forward position for 2015 at current prices given the recent rally to 3-month highs and the high level of uncertainty relating to both supply and demand.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower suggesting that processors are securing supplies. However, there is news suggesting that more support could be on the way. Speculators have increased their net long position by ~22,000+ contracts, week over week, an indication they expect prices to rise in the short-medium term. As well, a major investment bank has questioned the USDA's WASDE report, saying US planted acreage survey numbers could come in lower by ~1.4 million acres relative to the Farm Service Agency data, (released later) implicitly questioning production estimates and supplies further out.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower following relative weakness in both the soybean complex and wheat futures. Uncertainty remains in the trade though as the speculative traders are sending some 'mixed messages'. Net long positions are ~23,000+ on the week as hedge funds have cleared short positions by 140,000 in the past month. However, overall long positions have also fallen by ~30,000, suggesting some participants may simply be exiting the corn market amid acreage, quality, and production uncertainty in the short term.

US Slaughter	
2.219 mil.	Last Week
2.346 mil.	Last Week (year ago)
W. Corn Belt	\$86.54
National Price	\$87.51
Daily Sig 3	\$179.15
Daily Sig 4	\$175.42
Thunder Creek	\$178.75
4-Month Fwd.	\$182.32
B of C Ex. Rate (Noon)	
\$1.1294 CAD/ \$0.8854 USD	
Cash Prices Week Ending November 15, 2014	
Signature 3	180.14/81.71
Signature 4	176.15/79.90
h@ms Cash	174.65/79.22
Hylife	174.64/79.22
Thunder Creek	179.80/81.56
ISO Weans	\$68.79 US Avg.
Feeder Pigs	\$83.51 US Avg.
#1 Export Sows (+500lbs) \$67.00 cwt. Tagged	

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3		177.27 181.42	177.15 182.87	179.34 184.43	180.90 184.54	185.37 188.50	187.98 195.27	193.19 199.44	190.60 196.32	178.31 187.58	169.99
Maple Leaf Sig. #4		179.80 181.61	174.27 180.72	177.59 181.72	177.59 181.42	181.53 183.75	183.34 191.62	189.80 194.85	188.60 193.04	179.83 184.67	176.20
Soymeal Winnipeg Delivered	512	505	487	470	470	463					
Corn Wpg, Delivered	166										

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