



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

Hog Margin Outlook

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Thursday, November 20, 2014

Forward contract prices opened lower this morning. US cash markets are trading lower this morning with the bearish influence coming from a weaker pork cut-out, now trading at the lowest level in 9 months. Sharply lower ham values have been a drag on the pork cut-out, despite total pork production still lagging year ago levels. Lean Hog futures were stronger in yesterday's trade, but are starting today sharply lower due to the weaker cash market fundamentals. The market is awaiting the latest PEDv update from the American Association of Swine Veterinarians, either later today or tomorrow. Should the number of new cases reported come in higher than 75 for the week of November 8, 2014, summer month futures would likely find support at current price levels. However, weakness in the spring and summer forwards is likely to persist if the number of new PEDv cases remains under 70, especially amid the weaker cash market trend. Producers without protection in the summer months should consider pricing as much as 20% of their production at current prices to mitigate some of the price uncertainty.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher this morning after a steady downward trend that started on November 12. The usual suspects – strong demand and logistical issues in the US – are again cited as factors in the current support. While yesterday's news of cancellations did pressure the trade somewhat, expectations, new export sales could see 700,000 – 1MMT and could be supportive when released this morning. In other news, there is talk of fund liquidation in an attempt to profit take (well) ahead of year end due in part to uncertainty in the trade.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Support comes from news of good demand from ethanol on increasing margins and demand that saw 970,000 bbl./day produced last week, the highest production amount since 2010. However, the support is considered to be short-lived among optimistic production estimates and generally bearish fundamentals. In fact, some investment houses are now publicly challenging a report earlier this week criticizing USDA data as too high, adding some pressure and keeping the top side in check.

US Slaughter	
426,000	Wednesday
438,000	Wednesday (year ago)
W. Corn Belt	\$86.43
National Price	\$88.28
Daily Sig 3	\$179.81
Daily Sig 4	\$177.84
Thunder Creek	\$179.47
4-Month Fwd.	\$177.09
B of C Ex. Rate (Noon)	
\$1.1350 CAD/ \$0.8811 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)	\$70.00 cwt. Tagged

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3		171.22 175.37	171.01 176.72	175.12 178.28	176.68 180.32	182.08 185.22	187.56 194.88	192.79 199.07	191.89 197.64	177.94 188.55	169.59
Maple Leaf Sig. #4		173.94 175.75	168.31 174.75	173.51 175.76	173.51 177.33	178.34 180.57	182.94 191.25	189.43 194.50	189.87 194.32	179.49 185.62	175.85
Soymeal Winnipeg Delivered	509	505	485	465	465	460					
Corn Wpg, Delivered	166										

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