



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

# Hog Margin Outlook

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Monday, November 24, 2014

## Forward contract prices opened higher this morning. US

cash markets are called higher to start this week, as hog supplies are still running close to a 5% deficit from year ago levels; a hole that is nearly twice as large as was forecast by the USDA Hogs and Pigs report. Heavy carcass weights make up a good portion of this deficit in production for packers, but the difference from last year is getting smaller. USDA released their latest Cold Storage Report on Friday, showing inventory is down 7% from year ago levels as of October 31. All of the primal cuts added to their September inventory with the exception of hams and bellies, which were short close to 20% compared to month earlier levels. The changes in inventory support ideas of good domestic and export demand as wholesale pork prices are down only about 5% while pork production has increased by an equivalent amount. Lean Hog futures are trading higher this morning, reflecting the results of the report and the firm cash market fundamentals. Summer month contracts are trading at the highest level since they started trading, but significant supply uncertainty remains for this timeframe which could result in a price downturn.

**h@ms' Forward Contracting Program will be closed Thursday, November 27 and closed one hour early on Friday, November 28 due to the US Thanksgiving holiday. Normal business operations will resume Monday, December 1.**

## Canadian delivered soymeal prices opened mixed this morning.

US soybeans are trading lower. The turn lower has been led by the funds on evidence of a shift to net short positions, and there is talk that the shift could be the beginning of pressure for the complex in the medium term. Of course, logistics problems, strong domestic demand and a slow harvest are supportive. However, the overall fundamental picture is perceived to be bearish as the US rebuilds stocks, and even with a 'normal' year for S. America, the US should be able to build on its ending stocks number for 2014/15 assuming no major demand shocks.

## Canadian delivered corn prices opened even this morning. US

corn futures are trading lower following weakness in other commodities. While the outlook for ending stocks is bearish at 2+ billion bu., demand from ethanol processors, expectations of higher demand from livestock producers and evidence that the funds have actually increased net long positions (albeit by only 147) are factors that are seen as supportive. However, export sales remain meagre, the Chinese variety ban remains in place and the fundamentals are bearish relative to recent memory.

US Slaughter	
2.232 mil.	Last Week
2.346 mil.	Last Week (year ago)
W. Corn Belt	\$86.29
National Price	\$88.07
Daily Sig 3	\$177.75
Daily Sig 4	\$175.67
Thunder Creek	\$177.74
4-Month Fwd.	\$180.89
<b>B of C Ex. Rate (Noon)</b>	
\$1.1238 CAD/ \$0.8898 USD	
<b>Cash Prices Week Ending November 22, 2014</b>	
Signature 3	179.67/81.50
Signature 4	176.52/80.07
h@ms Cash	175.02/79.39
Hylife	175.26/79.50
Thunder Creek	179.30/81.33
ISO Weans	\$68.13 US Avg.
Feeder Pigs	\$83.24 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			173.54 179.23	177.99 180.79	179.54 183.17	184.18 187.30	191.20 198.47	196.39 202.62	194.77 200.47	179.20 190.93	162.60 170.90
Maple Leaf Sig. #4			170.76 177.17	176.27 178.17	176.27 180.08	180.37 182.58	186.46 194.70	192.89 197.92	192.63 197.05	180.67 187.90	163.99 177.05
Soymeal Winnipeg Delivered	509	506	488	471	471						
Corn Wpg, Delivered	166										

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