



Hog Margin Outlook

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Tuesday, November 25, 2014

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

Forward contract prices opened mixed this morning. US cash markets are expected to see some weakness mid-week, as a result of a reduced slaughter week. Typically, US Thanksgiving results in no slaughter on Thursday, a modestly lower slaughter on Friday and an expanded kill schedule Saturday. Leading up to this week, hog numbers have been down more than 4% from year ago levels, nearly double what the USDA projected on their last quarterly Hogs and Pigs report. The uncertainty related to supply remains high, not only in the short term, but also for next spring/summer as the normal weekly PEDv update has been delayed for several days for reasons unknown. Deferred month contracts are trading at or near their contract highs, representing a good pricing opportunity as there is no new evidence to support the recent gains. While demand factors remain generally positive, albeit variable, the degree to which they can influence prices is secondary to supply at this point. Producers should consider forward pricing a portion of their spring/summer production to manage this uncertainty at current prices, as a price correction of 10% is possible in the short term.

US Slaughter	
435,000	Monday
427,000	Monday (year ago)
W. Corn Belt	\$86.62
National Price	\$87.87
Daily Sig 3	\$179.13
Daily Sig 4	\$175.96
Thunder Creek	\$178.71
4-Month Fwd.	\$179.57
B of C Ex. Rate (Noon)	
\$1.1282 CAD/ \$0.8863 USD	
Cash Prices Week Ending November 22, 2014	
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)	\$66.00 cwt. Tagged

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 higher this morning. US soybean futures are trading higher. Observing an improvement in S. American weather coupled with a generally bearish supply estimate in the US, the recent upswing has been suggested to be a 'selling opportunity' amid what traders consider to be uncharacteristic given the fundamental outlook. However, the Thanksgiving holiday (or any long weekend for that matter) does occasionally influence market activity in peculiar ways, so the recent turn higher is not entirely unexpected either. Support is generally considered to be short-lived.

Canadian delivered corn prices opened even this morning. As with soybeans, US corn activity is considered to be influenced by the upcoming US holiday, as well as from strength in other commodities. Despite the move higher, technical signals and fundamental data continue to pressure the trade (or at least keep the upside in check). Nationally, the corn harvest is reported at 94% complete with only the more northerly states posting harvest completion in the 70% and 80% ranges. The estimate is that 864 million bushels (out of a potential 14.407 billion) remain to be harvested.

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3			172.57 178.26	176.50 179.81	178.06 181.68	183.41 185.49	190.62 197.87	195.80 202.01	194.98 200.69	179.89 191.41	163.28 171.58
Maple Leaf Sig. #4			169.82 176.23	174.83 177.23	174.83 178.63	178.62 180.82	185.89 194.12	192.31 197.25	192.83 197.25	181.33 188.37	164.65 177.71
Soymeal Winnipeg Delivered	516	512	495	476	476						
Corn Wpg, Delivered	166										

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