



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

Hog Margin Outlook

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Wednesday, December 03, 2014

Forward contract prices opened lower this morning. US cash markets are under pressure this morning after broad weakness in wholesale pork product values. Almost all of the primal cuts fell by \$3.00/cwt or more in yesterday's trade which will likely translate into lower bids for live supplies. Last week's holiday reduced slaughter schedule is doing little to add to this week's production as hog supplies have been tighter than the USDA forecast of 2% below year ago levels for this timeframe. Lean Hog futures are experiencing choppy trade with mixed fundamentals contributing to the lack of direction. While it appears that the positive price impact of PEDv losses may be diminishing, there is a strong bullish influence from high beef prices on pork demand. However, the growing breeding herd and expected productivity gains continue to be unquantified factors that are currently weighing on the deferred month contracts. While forward prices have benefitted from a weaker Canadian Dollar, this may be offset by lower Lean Hog futures related to hedge and index funds selling out of their large, net long positions.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are under some pressure influenced by the recently lower crude oil prices and more favourable weather reports from S. America. As well, exports last week came in at 1.849 MMT (over 2.4 MMT were expected by the market) at the same time it is expected that Brazil will shortly increase marketing activity. However, 2015 export sales are currently higher than the 38.7% 5-year average at a 45.5% projection following strong demand from 2014. Local meal customers are reminded to factor ongoing logistics issues in their purchase plans and expect delays.

Canadian delivered corn prices opened even this morning. As with soybeans, pressure from crude oil and decent weather in S. America is pressuring the trade. It is also expected that the recent fall in crude oil prices will make it easier to source rail resources for grain shippers, but this has yet to materialize significantly in the interior. There is talk that China could see 2014/15 ending stocks at over 120MMT meaning a stocks-to-use ratio over 60% (!); comparatively, price pressure typically materializes around 12%. Furthermore, if ending stocks are that high, there is talk US demand from China could be significantly curbed.

US Slaughter	
430,000	Tuesday
438,000	Tuesday (year ago)
W. Corn Belt	\$86.53
National Price	\$88.01
Daily Sig 3	\$180.81
Daily Sig 4	\$178.09
Thunder Creek	\$180.58
4-Month Fwd.	\$173.66
B of C Ex. Rate (Noon)	
\$1.1400 CAD/ \$0.8772 USD	
Cash Prices Week Ending November 29, 2014	
Signature 3	178.81/81.11
Signature 4	176.07/79.86
h@ms Cash	174.57/79.18
Hylife	174.65/79.22
Thunder Creek	179.30/81.33
ISO Weans	\$72.27 US Avg.
Feeder Pigs	\$86.57 US Avg.
#1 Export Sows (+500lbs)	\$64.00 cwt. Tagged

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3		167.18	169.89	171.46	176.21	183.50	188.73	187.41	178.11	161.38
		172.92	174.48	175.11	179.35	190.83	195.01	193.16	185.88	169.74
Maple Leaf Sig. #4		164.62	168.46	168.46	172.67	179.01	185.50	185.53	179.66	162.86
		171.09	172.10	172.30	174.90	187.32	190.57	189.98	183.04	176.01
Soymeal Winnipeg Delivered	515	478	461	461	456					
Corn Wpg, Delivered	166									

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