



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

# Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, December 05, 2014

**Forward contract prices opened higher this morning.** US cash markets fell another \$1.00/cwt in trade yesterday, taking prices to their lowest level in ten months. However, pork product values appreciated yesterday, with support coming from the lower valued cuts. The combination of these price moves improved operating margins for US packers to \$18/head, better than average profitability for this time of year. The strength in the pork cut-out will help to arrest the weakness in the nearby Lean Hog futures which have dropped more than 7% over the last 3 weeks. Summer month contracts have been more resistant to weakness as the market is still uncertain about the impact of PEDv on supplies for this timeframe. The latest case count for the week ending November 15, 2014 was 83, the highest weekly number of positive case reports since late July. Interestingly, last week was the first time that the number of positive cases of PEDv reported was below year ago levels. Significant price uncertainty remains for the 2015 market, which provides some rationale for producers to start building in price protection with the use of target pricing.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading lower this morning following support yesterday that came from strong export sales data that brought cumulative exports to 84.7% of USDA estimates (74.9% 5-year average). Despite the recent high prices for meal, there is continued talk of pressure looming for the trade in part due to good production estimates from the US and S. America; Q1 of 2015 is expected to see increased market activity from the south. 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.** Despite pressure from decent S. American weather and generally favourable production estimates, the downside has been limited by good export data for a change. However more pressure is looming on evidence of waning ethanol demand, a high USD, and more talk that Chinese production estimates are at record levels. Slight increases to the US balance sheet are expected in next week's WASDE report which will be released on December 10.

US Slaughter	
427,000	Thursday
434,000	Thursday (year ago)
W. Corn Belt	\$84.82
National Price	\$88.09
Daily Sig 3	\$176.82
Daily Sig 4	\$177.84
Thunder Creek	\$176.80
4-Month Fwd.	\$172.66
<b>B of C Ex. Rate (Noon)</b>	
\$1.1373 CAD/ \$0.8792 USD	
<b>Cash Prices Week Ending December 06, 2014</b>	
Signature 3	179.02/81.20
Signature 4	177.74/80.62
h@ms Cash	176.24/79.94
Hylife	n/a
Thunder Creek	179.20/81.28
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		165.42 171.20	169.56 172.78	171.14 174.82	175.75 178.91	183.75 191.13	189.02 195.34	187.75 193.54	178.66 186.03	162.18 170.60
Maple Leaf Sig. #4		162.94 169.45	168.17 170.47	168.17 172.04	172.23 174.47	179.27 187.63	185.80 190.90	185.89 190.37	180.35 183.20	163.68 176.92
Soymeal Winnipeg Delivered	530	489	473	473	468					
Corn Wpg, Delivered	166									

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