



# Hog Margin Outlook

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Thursday, December 11, 2014

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

**Forward contract prices opened mixed this morning.** US cash markets are expected to trade steady to slightly higher this morning, as packers attempt to fill out their slaughter schedules in one of the last full slaughter weeks before the holidays. Hog numbers continue to come in short of expectations with daily slaughter averaging less than 430,000 hogs, or 3.5% lower than year ago levels. The USDA Quarterly Hogs and Pigs report will provide some insight on future supplies when released on December 23<sup>rd</sup>. With the last report showing close to a 2% increase in the breeding herd, the report is highly anticipated by traders. In the event that the industry experiences no significant PEDv losses going forward, hog supplies may exceed 2013 levels by more than 4%. Yesterday, the PEDv accession data for the week ending November 29, 2014 was released showing 52 new cases, down sharply from 83 the previous week. This is a factor contributing to the weakness in 2015 contracts, with most futures prices trading near their lowest level in six weeks. Producers looking to mitigate some price risk should consider pricing up to 20% of their summer 2015 production at current prices.

**Canadian delivered soymeal prices opened mixed this morning.** With acreage and yields essentially set for now, most focus is on usage and ending stocks for the December WASDE report (released yesterday). Increased usage in feed and residual as well as increases in record export estimates pushed ending stocks down to 410 million bu., 40 million lower than last month's estimate. However, global estimates for oilseeds were revised upward, so the net result has been some 'global' pressure that is continuing into this morning's choppy trade. South American weather is pressuring.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading higher. US ending stocks estimates for 2014/15 were pushed below the 2 billion bu. level for the first time this year, against a trade expectation of increases to over 2.02 billion bu. But as with soybeans, world estimates for the grain were increased following higher production estimates for China and the EU adding some initial pressure. Today, however, that pressure has subsided and corn is trading higher as of this writing. Decent demand from ethanol and a surprise downgrade to Argentine production are supportive.

US Slaughter	
429,000	Wednesday
431,000	Wednesday (year ago)
W. Corn Belt	\$84.38
National Price	\$88.06
Daily Sig 3	\$177.59
Daily Sig 4	\$179.47
Thunder Creek	\$177.63
4-Month Fwd.	\$171.78
<b>B of C Ex. Rate (Noon)</b>	
\$1.1482 CAD/ \$0.8709 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	176.15/79.90
Thunder Creek	179.20/81.28
ISO Weans	\$74.77 US Avg.
Feeder Pigs	\$87.60 US Avg.
#1 Export Sows (+500lbs)	n/a this week (Tagged)

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		166.97 168.56	166.40 170.14	167.98 171.69	172.66 175.84	180.72 188.15	186.03 192.40	186.59 192.43	178.72 186.16	162.39 170.89	163.94
Maple Leaf Sig. #4		163.63 166.91	165.13 167.94	165.13 169.03	169.25 171.51	176.34 184.77	182.92 188.06	184.80 189.33	180.48 183.36	162.09 177.33	162.96
Soymeal Winnipeg Delivered	563	509	491	491	483						
Corn Wpg, Delivered	182										

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