



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

Hog Margin Outlook

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Friday, December 12, 2014

Forward contract prices opened lower this morning. US cash markets are finishing the week lower as packers drop bids in line with the recent weakness experienced in wholesale pork prices. Ham values have been the biggest drag on the pork cut-out this week as processors have cut back their purchases; there is no longer the required lead time to get the product to market for Christmas demand. Some of the other primal cuts that will not be processed such as loins and ribs are trading near steady with week ago levels. 2015 Lean Hog futures were under pressure this week with growing concerns about abundant supplies pressuring prices, and weakness in prices of competing meats. While it is unlikely that the industry will maintain the growth in hog carcass weights over the next 6 months, hog numbers are expected to be the source of the growth in supply. With growth in the breeding herd estimated at close to 2%, and other productivity gains that have accrued over the last 18 months, hog supplies could run 4% higher than 2013, or more than 10% higher than 2014, by August. Despite the recent downturn in futures, producers should consider covering a portion of Summer 2015 production at current prices.

Canadian delivered soymeal prices opened lower this morning. Despite the fact that the medium to long terms is considered bearish, US soybeans are trading mixed this morning heading into the weekend. There are thoughts the market is paying more attention to the record exports and Chinese demand over the large production numbers expected. Put another way, the 2014/15 balance sheet estimates ending stocks to be 345.7% higher than last year (!). However, recent strength across the complex and continued logistics issues in the US interior have pushed meal prices even higher and local producers should expect delays on meal orders not yet booked in.

Canadian delivered corn prices opened higher this morning. Technical indicators and thoughts of increased feed and residual usage buoyed by decent demand from the ethanol sector (for now) are supportive. As well, the slight drop in ending stocks in Wednesday's WASDE report, strength in wheat and soybeans and news that the Ukraine is struggling with meeting its export demands are providing an added boost. However, traders are watching energy markets closely on thoughts that further drops in the price of crude could place US ethanol exports at a competitive disadvantage, curbing some demand for US corn.

US Slaughter	
428,000	Thursday
437,000	Thursday (year ago)
W. Corn Belt	\$82.92
National Price	\$87.77
Daily Sig 3	\$175.32
Daily Sig 4	\$179.70
Thunder Creek	\$175.14
4-Month Fwd.	\$171.78
B of C Ex. Rate (Noon)	
\$1.1535 CAD/ \$0.8669 USD	
Cash Prices Week Ending December 13, 2014	
Signature 3	177.33/80.44
Signature 4	178.75/81.08
h@ms Cash	177.25/80.40
Hylife	n/a
Thunder Creek	178.70/81.06
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		165.97 167.56	164.38 169.16	165.97 169.69	170.44 173.63	178.74 186.18	164.06 190.44	185.21 191.08	178.17 185.64	161.53 170.06	163.55
Maple Leaf Sig. #4		162.68 165.97	163.19 167.00	163.19 167.10	167.11 169.37	174.42 182.87	181.02 186.17	183.48 188.03	179.97 182.86	161.27 176.56	162.60
Soymeal Winnipeg Delivered	543	502	488	488	481						
Corn Wpg, Delivered	190										

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