



# Hog Margin Outlook

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Friday, December 19, 2014

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

**Forward contract prices opened mixed this morning.** US cash markets closed lower yesterday, continuing the weaker trend seen recently. ISM and WCB reporting regions were \$1.59 and \$1.76 USD/cwt. lower than the previous day and the National region was lower by over \$1 USD/cwt. Hog weights are starting to come down somewhat, but are still well above historical levels, allowing pork production to experience only modest declines. The pork cutout at approximately \$87/cwt. (lowest since January 2014) is under some pressure, led by bellies. Lean hog futures are lower this morning after trading higher for most of yesterday's session, but have only regained some of the previous week's losses. The futures trade is still attempting to price in an 'appropriate' amount of risk premium amidst much uncertainty; PEDv accessions (so far) are lower than last year but the threat of disease still remains. Productivity gains that have been masked by the PEDv losses are expected to manifest in increased pork production over the next 6 months, as is the expectation of some expansion further out. Producers are encouraged to review current Forward Contract offerings and consider adding price protection for the spring and summer of 2015 in order to mitigate some uncertainty.

### Summary of Hogs and Pigs Report Estimates

|                    | Estimate | Range         |
|--------------------|----------|---------------|
| All Hogs and Pigs  | 101.5%   | 100.8%-102.5% |
| Kept for Breeding  | 103.0%   | 102.0%-103.5% |
| Kept for Marketing | 101.3%   | 100.6%-102.4% |
| Pig Crop           | 103.3%   | 102.4%-104.4% |

Source: Dow Jones; Meyer and Steiner, DLR

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower. There are some thoughts that profit taking ahead of the weekend is driving the current downturn. However, there has also been talk that the trade is overbought considering that the fundamental picture moving forward is bearish. In any event, local meal prices remain supported on interior logistics; local basis remains wide until such time pipelines become supplied, trucks become available and movements normalize.

**Canadian delivered corn prices opened lower this morning.** US corn futures are trading lower on thoughts the weakness in wheat is spilling over into the corn trade. As with soybeans, there is talk that profit taking ahead of the weekend is also influencing the move lower. Speculation and thoughts of support remain though, largely because there appears to be more official word from China suggesting the previous ban on US varieties of corn and DDGs will be shortly removed.

| US Slaughter                                     |                        |
|--|------------------------|
| 430,000  | Thursday               |
| 436,000  | Thursday (year ago)    |
| W. Corn Belt                                     | \$75.91                |
| National Price                                   | \$84.41                |
| Daily Sig 3                                      | \$161.32               |
| Daily Sig 4                                      | \$173.70               |
| Thunder Creek                                    | \$161.26               |
| 4-Month Fwd.                                     | \$167.60               |
| <b>B of C Ex. Rate (Noon)</b>                    |                        |
| \$1.1594 CAD/ \$0.8625 USD                       |                        |
| <b>Cash Prices Week Ending December 20, 2014</b> |                        |
| Signature 3                                      | 168.31/76.34           |
| Signature 4                                      | 177.02/80.30           |
| h@ms Cash  | 175.52/79.62           |
| Hylife   | n/a                    |
| Thunder Creek                                    | 175.40/79.56           |
| ISO Weans  | \$75.71 US Avg.        |
| Feeder Pigs                                      | \$88.42 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               |     | 162.33<br>163.93 | 160.94<br>165.53 | 162.54<br>166.27 | 166.90<br>170.10 | 177.53<br>185.00 | 182.86<br>189.26 | 183.55<br>189.44 | 176.12<br>183.72 | 158.99<br>167.55 | 161.51 |
| Maple Leaf Sig. #4               |     | 159.15<br>162.46 | 159.88<br>163.49 | 159.88<br>163.80 | 163.69<br>165.96 | 173.26<br>181.73 | 179.87<br>185.03 | 181.89<br>186.45 | 177.91<br>181.02 | 158.83<br>174.17 | 160.66 |
| Soymeal Winnipeg Delivered       | 542 | 530              | 493              | 493              | 482              | 482              |                  |                  |                  |                  |        |
| Corn Wpg, Delivered              | 188 |                  |                  |                  |                  |                  |                  |                  |                  |                  |        |

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| Headingley Main Office | h@ms Holiday Schedule        | Winnipeg Livestock (WLS) |
|------------------------|------------------------------|--------------------------|
| 8:00AM – 3:00 PM       | Dec. 24 (Wed.)               | 8:30AM – 12 noon         |
| Closed                 | Dec. 25 & 26 (Thurs. & Fri.) | Closed                   |
| 8:00AM – 3:00 PM       | Dec. 31 (Wed.)               | 8:30AM – 12 noon         |
| Closed                 | Jan. 1 (Thurs.)              | Closed                   |