

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, January 14, 2015

Forward contract prices opened mixed this morning. US

cash markets are maintaining the steady to lower trend of the last week as packers are having little difficulty meeting their planned slaughter schedules. Recent hog supplies have increased to levels seen one year earlier as forecasted by the USDA. However, most analysts anticipated an easing of hog carcass weights that would mitigate some of the increase in pork production, a development that has yet to materialize. Yesterday's pork cut-out received an unexpected boost from ham and belly values which together make up close to 40% of the hog carcass. Wholesale ham values gained more than 10% of their value to trade near their highest level in a month. First half 2015 Lean Hog futures have dropped between US\$6-\$10/cwt over the last two weeks reflecting bearish factors of a weaker cash market, fund selling, and the prospect of larger supplies. In addition, increased competition from chicken and lower export sales have made some analysts question how demand will perform this year. Producers should consider covering a portion of all of their 2015 production as the August – October timeframe currently represents good value in the context of a growing hog supply.

Canadian delivered soymeal prices opened lower this morning.

Despite lowered expectations for last summer's production in Monday's WASDE, the US has been estimated to produce 3.969 billion bu., an all-time record high. High production is in part a function of the highest average yield on record (47.8 bpa) supported by some state averages over 50 bpa (Illinois 55bpa; Indiana 56bpa; Iowa 51.5 bpa). Improving weather in S. America is leading to more talk of price pressure in the mid-to-longer term. There is talk of a further move lower if technical support levels are breached in the next few sessions.

Canadian delivered corn prices opened even this morning.

Pressure on the corn trade comes from thoughts of relatively large back-to-back US crops. However, corn yields, while high, have been revised lower in Monday's WASDE report and represent the largest downward revision for the January report ever. Although downgraded in the WASDE, there is talk feed usage could pick by up ~240 million bu. along with an unexpected increase in ethanol usage, adding some additional support.

US Slaughter	
433,000	Tuesday
422,000	Tuesday (year ago)
W. Corn Belt	\$71.79
National Price	\$76.38
Daily Sig 3	\$157.23
Daily Sig 4	\$161.98
Thunder Creek	\$157.07
4-Month Fwd.	\$164.46
B of C Ex. Rate (Noon)	
\$1.1948 CAD/ \$0.8369 USD	
Cash Prices Week Ending January 10, 2015	
Signature 3	160.33/72.73
Signature 4	162.91/73.90
h@ms Cash	161.41/73.22
Hylife	161.33/73.18
Thunder Creek	160.70/72.89
ISO Weans	\$66.81 US Avg.
Feeder Pigs	\$84.76 US Avg.
#1 Export Sows (+500lbs)	\$39.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		151.98 156.48	153.63 157.47	158.34 161.64	175.50 183.20	181.00 187.60	180.28 186.33	173.31 181.00	159.45 168.25	155.13 162.31
Maple Leaf Sig. #4		152.59 156.53	152.59 156.63	156.74 159.08	171.76 180.50	178.58 183.91	178.83 183.52	175.49 179.00	159.41 175.17	156.00 161.56
Soymeal Winnipeg Delivered	515	489	482	471	471					
Corn Wpg, Delivered	193									

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