



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Monday, January 26, 2015

Forward contract prices opened higher this morning. US cash markets are called near steady as abundant supplies provide packers with a lot of flexibility, and strong margins and wholesale pork prices provide strong incentive to maintain high production levels. Last week's slaughter was estimated by the USDA at 2.316 million hogs, up nearly 5% from year ago levels. This is a significant jump in hog supply for this time of year, especially when one considers that last year's numbers had not yet seen the full impact from PEDv. The heavy supply along with concerns over export sales are the main fundamental factors that continue to weigh down Lean Hog Futures. New contract lows were seen in all offered contracts last week, with the February and April now down more than 25% from their highs. While fund selling continues to fuel the weaker trend, weaker fundamentals are providing little in the way of support. Alternatively, prices in the fall are down only 10% from their highs and still providing good value given the market uncertainty. Producers looking to mitigate some of their fall price risk should consider hedging up to 25% of their August-October production at current prices.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. However, fund liquidation and record production level estimates from the US and Brazil are pressuring. As well there are thoughts that export sales are slowing which could be an indication that the global demand focus is shifting to S. America. Any rallies, to the extent that they materialize, are thought to be short term selling opportunities and not indicative of a broader trend despite showing some recent support.

Canadian delivered corn prices opened lower this morning. Calls for longer term strength in the corn market are coming with caveats suggesting that planted acreage for 2015/16 will ultimately influence market moves. While seemingly obvious, the consensus until recently was that corn prices would (almost unquestionably) be stronger next summer as a result of corn acres shifting to soybeans. However the narrowing soybean/corn spread is calling that into question and some acreage estimates now are hovering around 90 million as opposed to the previous 88 million.

US Slaughter	
2.316 mil.	Last Week
2.214 mil.	Last Week (year ago)
W. Corn Belt	\$68.94
National Price	\$73.93
Daily Sig 3	\$156.73
Daily Sig 4	\$162.76
Thunder Creek	\$156.61
4-Month Fwd.	\$163.15
B of C Ex. Rate (Noon)	
\$1.2403 CAD/ \$0.8062 USD	
Cash Prices Week Ending January 24, 2015	
Signature 3	155.88/70.71
Signature 4	162.06/73.51
h@ms Cash	160.56/72.83
Hylife	159.96/72.56
Thunder Creek	156.90/71.17
ISO Weans	\$66.02 US Avg.
Feeder Pigs	\$83.40 US Avg.
#1 Export Sows (+500lbs)	\$40.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		146.02	147.73 151.72	152.56 155.99	166.27 176.55	174.27 181.12	176.16 182.45	170.38 178.38	156.67 165.81	151.95 159.39	137.01 140.45
Maple Leaf Sig. #4		147.03	147.03 151.23	151.27 153.71	162.89 174.17	172.18 177.71	175.01 179.88	172.96 177.27	156.92 173.29	153.34 159.34	143.21 146.76
Soymeal Winnipeg Delivered	530	514	514	499	499	492					
Corn Wpg, Delivered	180										

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STRENGTH IN NUMBERS

