



Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, January 28, 2015

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

Forward contract prices opened lower this morning. US cash markets were pressured lower yesterday by abundant supplies and weaker pork product values that developed over the day. The weekly hog slaughter is on pace for a 5% increase over the same week last year, i.e. before PEDv losses started to show up in 2014. The flow of hogs is outpacing USDA estimates, which had pegged the inventory of the 50-120lb category that is now starting to be delivered, at 3.5% over last year. Wholesale pork prices have contributed to a more cautious buying program by packers, with all of the primal cuts moving lower in yesterday's trade. The weaker fundamentals in the cash market continue to influence the futures market at a vulnerable time, as the potential for fund selling remains high. The large speculator category of traders (funds) as defined by the CFTC are still holding onto their large net long position, which would contribute further weakness in the futures, should they start exiting this position. Producers should consider pricing a portion of their 3rd and 4th Quarter production at current prices, as the deferred months have been more resilient to weakness; September-December forward prices are near steady with levels available 2 months ago.

Canadian delivered soymeal prices opened lower this morning. Pressure comes from expectations that China will start cancelling orders as large production volumes become available from South America. There are reports that the harvest in Brazil is 1.9% ahead of the pace compared to last year and that dryness in the area has helped in this regard. However, the meal trade is called choppy in the near to midterm as Argentina has yet to start their harvest efforts meaning demand is still, for the most part, being satisfied by the US.

Canadian delivered corn prices opened lower this morning. With no real drastically changing supply or demand news, analysts and traders are looking to the technical charts for clues. There are rumors of an impending long liquidation which could push prices lower. However, moving averages are suggesting a narrowing between support (\$3.78 USD/bu.) and resistance (\$3.84 USD/bu.) levels for the March contract, influencing talk around which way the trade will break. As of this writing, March corn was hovering around \$3.78, but has traded as low as \$3.76 and as high as \$3.81 USD/bu.

US Slaughter	
417,000	Tuesday
408,000	Tuesday (year ago)
W. Corn Belt	\$67.66
National Price	\$73.04
Daily Sig 3	\$153.84
Daily Sig 4	\$160.81
Thunder Creek	\$153.72
4-Month Fwd.	\$165.09
B of C Ex. Rate (Noon)	
\$1.2404 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	\$63.61 US Avg.
Feeder Pigs	\$85.29 US Avg.
#1 Export Sows (+500lbs)	\$37.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		147.14	148.86 152.86	153.47 156.89	169.12 179.41	177.12 183.98	180.07 186.55	173.56 181.55	159.84 168.99	154.63 162.05	138.46 141.88
Maple Leaf Sig. #4		148.13	148.13 152.34	152.15 154.59	165.65 176.94	174.95 180.48	178.80 183.67	176.03 180.35	159.99 176.36	155.71 161.90	144.58 148.12
Soymeal Winnipeg Delivered	521	515	511	500	500	490	490	489	492		
Corn Wpg, Delivered	196										

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STRENGTH IN NUMBERS

