

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

# Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, January 30, 2015

**Forward contract prices opened mixed this morning.** US cash markets are closing out the week and month with lower cash bids as hog supplies are abundant and wholesale pork prices are sliding lower. As anticipated, weekly pork production has made counter-seasonal gains every week in the month of January, with the latest numbers suggesting the US is producing 6% more pork than at this time last year. Given that export markets have been purchasing less pork for several months, the industry must rely on the domestic market to increase consumption significantly without huge price concessions, despite growing chicken production. Market fundamentals are setting up to be almost the opposite as one year ago, when traders and pork buyers started buying supplies in order to manage the perceived shortfall of production due to PEDv. Producers are encouraged to take some price protection at current levels to manage the uncertainty related to all of the market factors at play. In particular, protection in the August – December timeframe should be the focus as hog supplies are expected to build over this timeframe and have the potential to exceed year ago levels by close to 10% in some weeks.

**Canadian delivered soymeal prices opened lower this morning.** The recent strength is attributed to strong demand both on domestic and foreign fronts; export sales came in at 888,200 MT, about double the forecast. This strength is expected until the S. American harvest picks up pace. Traders are already looking ahead to February's WASDE report where it is expected demand numbers will be adjusted higher, for now. Pressure comes from expectations of more Chinese cancellations (especially after the SA harvest picks up), and on continued expectations of large production volumes in both hemispheres.

**Canadian delivered corn prices opened even this morning.** The trade is anticipating a bounce on growing export interest and technical indicators; continuous support levels were not breached yesterday. There is evidence US exports are improving weekly despite 'aggressive' competition from the Ukraine. Already, traders are getting estimates on next year's ending stocks as the market anticipates direction. Estimates are coming in around the 1.6 billion bu. mark assuming normal weather patterns. Large to be sure, but not the benchmark 2 billion bu., and weather disruptions could push estimates lower.

US Slaughter	
435,000	Thursday
378,000	Thursday (year ago)
W. Corn Belt	\$67.38
National Price	\$72.28
Daily Sig 3	\$156.16
Daily Sig 4	\$162.21
Thunder Creek	\$155.98
4-Month Fwd.	\$172.04
<b>B of C Ex. Rate (Noon)</b>	
\$1.2644 CAD/ \$0.7908 USD	
<b>Cash Prices Week Ending January 31, 2015</b>	
Signature 3	154.90/70.26
Signature 4	161.58/73.29
h@ms Cash	160.08/72.61
Hylife	n/a
Thunder Creek	156.10/70.81
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		151.40	153.15 157.24	157.93 161.44	177.04 187.57	185.23 192.25	185.89 192.33	178.70 186.89	164.31 173.67	159.49 167.12	144.28 147.80
Maple Leaf Sig. #4		152.38	152.38 156.68	156.56 159.05	173.37 184.92	182.88 188.55	184.54 189.53	181.21 185.29	164.44 181.21	160.95 166.95	150.51 154.15
Soymeal Winnipeg Delivered	530	507	507	502	502	496	496	496	501		
Corn Wpg, Delivered	196										

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STRENGTH IN NUMBERS

