



Hog Margin Outlook

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Wednesday, February 04, 2015

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

Forward contract prices opened lower this morning. US cash markets continue to come under pressure. Pork cut-out levels are now at their lowest value since September 19, 2012, coming in at \$75.95 with ribs, picnics and bellies leading the decline. Traders are calling for more pressure as ample supplies are available; last week's slaughter was 6.2% higher ultimately producing 7.8% more pork than last year due to higher carcass weights. CME lean hog index is lower by almost 80¢ and ISM, WCB and National reporting regions are all down between 47¢ and 88¢ from previous day. Lean hog futures are trading lower this morning on thoughts that demand will remain relatively weak for some time, perhaps providing an incentive for the funds to liquidate long positions (a prospect that has been recently rumored), adding pressure. The west coast port strike in the US was somewhat supportive earlier this week on thoughts that the work action will be disruptive to supply chains, but so far has not been enough to turn around or sustain an overall positive price trend.

Canadian delivered soymeal prices opened higher this morning. The rise in the Canadian dollar over 80¢ yesterday wasn't enough to shake off a rally in the complex stemming from a 'weaker' USD (-1.3%) and a ~20% rally in oil prices (off lows). Monday's export inspections came in higher than expectations, adding a boost to the trade that likely will be considered a selling opportunity in the face of decent S. American weather and large looming production. However, support could be maintained on thoughts of a late harvest in Argentina, a dominant world exporter.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower following yesterday's rally that is thought to be a function of shifting managed money positions as opposed to a reaction to fundamental news. While it is true acreage concerns have been hinted at for next season, there is enough uncertainty meaning no one is really taking a 'fundamentals' position until more concrete data comes out. The WASDE report is released on the 10th, but traders are really waiting for the Prospective Planting intentions report that is released at the end of March.

US Slaughter	
433,000	Tuesday
425,000	Tuesday (year ago)
W. Corn Belt	\$64.64
National Price	\$70.45
Daily Sig 3	\$147.59
Daily Sig 4	\$155.77
Thunder Creek	\$147.78
4-Month Fwd.	\$163.66
B of C Ex. Rate (Noon)	
\$1.2456 CAD/ \$0.8028 USD	
Cash Prices Week Ending January 31, 2015	
Signature 3	154.90/70.26
Signature 4	161.58/73.29
h@ms Cash	160.08/72.61
Hylife	159.22/72.22
Thunder Creek	156.10/70.81
ISO Weans	\$56.14 US Avg.
Feeder Pigs	\$73.21 US Avg.
#1 Export Sows (+500lbs)	\$33.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		142.97 147.00	147.67 151.13	167.38 177.76	175.45 182.37	177.76 184.10	172.11 180.18	159.20 168.42	155.36 161.71	137.70 143.47
Maple Leaf Sig. #4		144.02 148.26	148.13 150.59	164.65 176.04	174.03 179.61	177.27 182.18	175.37 180.39	159.85 176.38	155.81 162.07	142.84 150.22
Soymeal Winnipeg Delivered	510	510	500	500	495	495	494	498		
Corn Wpg, Delivered	191									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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