

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, February 05, 2015

Forward contract prices opened lower this morning. US

cash markets are called steady to lower, continuing the lower trend that has been prevalent most of the year. In what is starting to sound like a common refrain, relatively high slaughter numbers and heavier carcass weights mean packers aren't competing too aggressively for supplies. But, with packer margins currently at ~\$18 USD/head, there is still incentive for packers to keep every shackle full. However, pork cut-out value are at their lowest value since October 2010 pressuring packer margins and the cash markets; ISM was down \$1.39, WCB was down \$1.18 and National was \$0.02 USD lower compared to previous day. Lean hog futures remain unpredictable and volatile and are trending lower at mid-week. Yesterday's trade saw limit down moves for April, May, June, July, and August with all contracts bouncing off (or settling at) daily limit lows. The market doesn't believe there's enough of a PEDv threat or 'good news' export story to dramatically turn the trend around currently, despite being technically oversold. On the positive side, the Canadian dollar weakness is providing a cushion to Canadian forward contract and cash prices (e.g. \$18.62 CAD /ckg, April average at yesterday's close), when compared to the same time last year when it was trading at \$0.91 US.

Canadian delivered soymeal prices opened lower this morning.

Profit taking and a higher USD were cited partly as reasons for yesterday's turn lower which saw double-digit losses. There are expectations for more pressure ahead as S. America begins to ramp up harvest. However, there is still some uncertainty in the trade as Brazil production estimates appear to be decreasing while USDA's estimates of Argentine production have been criticized as too low in as study by the Commodity Weather Group. Nevertheless, the consensus is that a lot of beans could be on the way despite this morning's corrective bounce.

Canadian delivered corn prices opened even this morning. The market is waiting for fresh news to provide direction. In the meantime, demand from the ethanol sector is backing off somewhat (despite being up from last year) as lower crude prices put pressure on the blended fuel. The recent volume of corn used for ethanol last week is estimated at 100.6 million bu. compared to the 103.8 million bu. the previous week. There is talk farmers are slow to sell amid the lows (mildly supportive) but there is news of decent weather in S. America which is deflating weather premiums.

US Slaughter	
432,000	Wednesday
389,000	Wednesday (year ago)
W. Corn Belt	\$63.46
National Price	\$70.43
Daily Sig 3	\$145.98
Daily Sig 4	\$156.89
Thunder Creek	\$145.70
4-Month Fwd.	\$157.35
B of C Ex. Rate (Noon)	
\$1.2550 CAD/ \$0.7968 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		137.01 141.00	141.57 145.00	160.95 171.23	168.94 175.80	171.21 177.50	165.88 173.89	154.40 163.55	150.72 158.23	135.87 141.64
Maple Leaf Sig. #4		138.20 142.41	142.18 144.62	158.40 169.68	167.69 173.22	170.89 175.76	169.27 175.54	155.16 171.56	152.44 158.70	141.08 148.46
Soymeal Winnipeg Delivered	498	498	492	492	486	489	488	493		
Corn Wpg, Delivered	191									

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