



Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, February 12, 2015

Forward contract prices opened mixed this morning. US cash markets continued their lower trend as packers are getting bearish feedback from wholesalers and retailers that further price concessions are required to 'clear' the market of inventory. Hog numbers and weights are becoming burdensome to the market especially as export markets are not performing as well as they were one year ago. The USDA's WASDE report was further confirmation of the growing pork inventory, as the most recent forecast by the Economic Research Service department of the USDA cut 2015 export sales by more than 8% from their previous estimate which would peg total exports down 1% from the total in 2014. Consequently, Lean Hog futures continue their bearish trend, with spring and summer month contracts closing down nearly their daily limit. 3rd and 4th Quarter 2015 prices have been more resilient to the weakness seen in the cash and nearby futures, which still provides a good pricing opportunity given the recent weakness.

Canadian delivered soymeal prices opened lower this morning. The Soybean complex moved higher yesterday, reflecting the mildly bullish domestic market fundamentals. Strong domestic crush margins continue to provide the rationale for firm bean prices. However, soybean supply/demand fundamentals have moved decisively bearish with current stocks to use ratio running at a record high 30%.

Canadian delivered corn prices opened even this morning. Corn markets are holding steady and appear to have some support despite ample supplies. Corn acreage estimates for this summer are back on an upswing as world soybean stocks are putting a limit on upside potential and increased livestock numbers are favourable for corn demand.

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

| US Slaughter | |
|---|-----------------------|
| 426,000 | Wednesday |
| 381,000 | Wednesday (year ago) |
| W. Corn Belt | \$57.89 |
| National Price | \$65.87 |
| Daily Sig 3 | \$134.07 |
| Daily Sig 4 | \$147.72 |
| Thunder Creek | \$134.97 |
| 4-Month Fwd. | \$ 155.13 |
| B of C Ex. Rate (Noon) | |
| \$1.2635 CAD/ \$0.7914 USD | |
| Cash Prices Week Ending February 7, 2015 | |
| Signature 3 | 147.27 / 66.80 |
| Signature 4 | 157.24 / 71.32 |
| h@ms Cash | 155.74 / 70.64 |
| Hylife | 154.59 / 70.12 |
| Thunder Creek | 154.50 / 70.08 |
| ISO Weans | \$48.67 US Avg. |
| Feeder Pigs | \$72.74 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 | | 133.28 | 135.72 | 159.11 | 167.13 | 170.87 | 166.34 | 154.95 | 143.16 | 134.50 |
| | | 134.99 | 139.15 | 169.42 | 174.00 | 177.17 | 174.36 | 164.11 | 158.47 | 140.27 |
| Maple Leaf Sig. #4 | | 133.49 | 137.63 | 157.74 | 167.05 | 173.45 | 170.39 | 156.37 | 150.26 | 139.30 |
| | | 137.70 | 140.07 | 169.05 | 172.59 | 176.56 | 176.78 | 172.79 | 159.16 | 147.13 |
| Soymeal Winnipeg Delivered | 492 | 492 | 486 | 486 | 480 | 480 | 480 | 487 | | |
| Corn Wpg, Delivered | 191 | | | | | | | | | |

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Important h@ms Marketing Phone Numbers

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STRENGTH IN NUMBERS

