

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

Hog Margin Outlook

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Monday, February 23, 2015

Forward contract prices opened higher this morning. US cash markets finished last week on a firming trend, as packers secured a large weekly slaughter of 2.285 million hogs, approximately 8% larger than the 3rd week of February in 2014. The abundant supply of pork explains the huge discount that current cash prices are trading compared to year ago levels, now approaching 40%. However, the latest development in the West Coast port labor negotiations will provide support today, with the announcement of an agreement on a 5 year contract between the ports and the union. The dispute has had a negative impact on pork export sales, but a strong US Dollar combined with increased competition from Europe are the primary factors having a negative impact on export sales. With the deep discounts offered currently, some foreign buyers may get more active in sourcing supplies from the US. Lean Hog futures are higher this morning on news of an agreement at the West Coast ports, but fund selling and heavy supplies in the cash market are likely to limit significant gains in the nearby contracts.

Canadian delivered soymeal prices opened higher this morning. Despite ongoing rhetoric professing eminent weakness in the soy market, the trade remains supported. Contributing to the recent strength are the USDA Outlook Forum projections showing intended acreage down to 83.5 million acres and export sales coming in at 621,000 MT, above trade expectations. However, traders are preparing for a turnaround; and the message to consider recent rallies as selling opportunities remains. There are rumors as well that the Planting Intentions report coming out March 31 will be about 2 million acres higher than the forum's projection.

Canadian delivered corn prices opened even this morning. US corn futures are trading mixed to lower to start the week. The USDA has so far pegged corn acreage at 89.0 million acres, down from 90.6 million last year. However, there is still some uncertainty regarding planted acreage as the official Planting Intentions report will not be released until late March and there is some disagreement among traders and analysts, adding uncertainty. The general consensus now is that projection amendments will see more beans and less corn in March's report.

US Slaughter	
2.285 mil.	Last Week
2.111 mil.	Last Week (year ago)
W. Corn Belt	\$59.04
National Price	\$62.47
Daily Sig 3	\$135.34
Daily Sig 4	\$138.68
Thunder Creek	\$136.25
4-Month Fwd.	\$ 173.80
B of C Ex. Rate (Noon)	
\$1.2506 CAD/ \$0.7996 USD	
Cash Prices Week Ending February 21, 2015	
Signature 3	130.57/59.23
Signature 4	139.87/63.44
h@ms Cash	138.37/62.76
Hylife	137.87/62.54
Thunder Creek	134.30/60.92
ISO Weans	\$47.60 US Avg.
Feeder Pigs	\$72.66 US Avg.
#1 Export Sows (+500lbs)	\$32.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			146.48 151.11	165.20 180.22	180.22 187.15	182.67 189.03	169.54 184.01	155.65 162.60	140.96 157.71	132.29 138.07	138.65 141.53
Maple Leaf Sig. #4			148.79 152.37	164.78 180.22	180.22 185.82	183.61 188.54	174.38 183.34	157.79 172.14	148.58 159.10	137.84 145.45	142.99 146.24
Soymeal Winnipeg Delivered	532	523	518	518	510	510	506	512			
Corn Wpg, Delivered	196										

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