

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

Hog Margin Outlook

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Wednesday, February 25, 2015

Forward contract prices opened higher this morning. US cash markets were higher again in yesterday's trade, with support coming from packers attempting to maintain their planned production schedule amid the unseasonably cold temperatures throughout much of the Midwest. However, gains in the hog market have not been matched by prices in the wholesale pork market, resulting in a sharp decline in packer operating margins. If packers cannot realize strong prices of the pork they are selling by the end of the week, the recent cash market rally is at risk of being short lived. Lean Hog futures are continuing their bullish run, approaching levels not seen since the start of the month. Cash market strength has been critical to the recent improvement in futures values, as many traders were cautious and waiting for an opportunity to buy into this market. However, hog market fundamentals are far from bullish, as 2015 pork production is 5% higher than a year ago, which is three times more than the last Hogs and Pigs report forecasted for this timeframe. Producers should view the recent rally as an opportunity to secure profits on a portion of their 2015 production amid very uncertain times.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower following news that the Brazilian government has (or will) put measures in place to break up the trucker's strike and blockades; there are rumors of a court injunction and that heavy fines will be eminently imposed although there is talk the dispute could last to the end of the week or longer. The delayed harvest and the strike have affected US markets by pushing customers to the US, ramping up demand. US acreage surveys go out next week for the Planting Intentions report coming out late March.

Canadian delivered corn prices opened even this morning. US corn futures have backed off and are trading lower this morning following wheat and soybeans. There was talk that corn acres could be switched to soybeans, but now there are some private estimates putting corn as high as 91 million acres, viewed as a bearish development. The market is pegged to trade in a choppy range-bound pattern until fresh news or other clear market signals develop. S. American production and large acreage estimates are pressuring; decent export and ethanol demand, Ukraine unrest, and a high USD are supportive.

US Slaughter	
407,000	Tuesday
414,000	Tuesday (year ago)
W. Corn Belt	\$64.84
National Price	\$63.35
Daily Sig 3	\$149.79
Daily Sig 4	\$141.71
Thunder Creek	\$149.59
4-Month Fwd.	\$ 173.00
B of C Ex. Rate (Noon)	
\$1.2603 CAD/ \$0.7934 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) \$30.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			146.35 150.92	164.31 179.14	179.14 185.98	181.76 188.03	171.96 183.70	158.27 165.11	144.33 161.42	135.74 141.47	142.04 144.91
Maple Leaf Sig. #4			148.57 152.11	163.86 179.11	179.11 184.63	182.64 187.50	176.56 182.97	160.22 174.36	151.76 162.64	141.10 148.65	146.21 148.65
Soymeal Winnipeg Delivered	525	519	514	514	506	505	502	506			
Corn Wpg, Delivered	196										

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STRENGTH IN NUMBERS