

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

Hog Margin Outlook

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Tuesday, May 14, 2013

Forward contract prices opened higher this morning. US cash markets started the week slightly higher in trade yesterday with a corresponding move higher in the pork cut-out. The pork cut-out, an aggregate value of all the wholesale cuts, is critical to the cash market experiencing further gains as it plays a central role in packer profitability. Strength in the cut-out value has come largely from higher ham and belly values, indicating healthy domestic demand. This makes sense when we consider the sluggish export environment and understand that a larger percentage of loins which make up ¼ of the carcass by weight are sold offshore. Lean Hog futures currently hold no premium to the cash market, reflecting the cautious approach that traders have to this year's summer price trend. Export markets would need to experience a significant improvement to warrant any additional premium over current prices. The Canadian Dollar has lost some value against the US Dollar but remains near the middle of its 2 month trading range.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed. There is talk that planted soybean acreage could increase by 1 million acres as a result of farmers shifting from corn to beans due to the wet weather; some analysts are suggesting the overall increase in acreage could be higher. However, markets remain choppy amid reports that the cooler, wet weather will persist and may even impact soybean acreage; the window of opportunity for planting is estimated to be 11-15 days; around the end of May. 18-state crop progress is 6% compared to the 24% 5-year average.

Canadian delivered corn prices opened even this morning. US corn futures are trading mixed. Corn made gains yesterday following USDA yield estimates of 158 bu./acre now largely factored into production calculations; earlier estimates pegged yield at 163.5 bu./acre. However, the longer term remains bearish despite cool, wet weather. The 18-state average reported planted acres at 28% compared to 12% last week and there are reports of extensive progress in Eastern and Western Corn Belts, but key states like Illinois and Iowa are 'sluggish' with further planting delays expected this week adding uncertainty.

US Slaughter	
400,000	Monday
402,000	Monday (year ago)
W. Corn Belt	\$88.11
National Price	\$92.15
Daily Sig 3	\$163.25
Daily Sig 4	\$165.33
Thunder Creek	\$163.14
4-Month Fwd.	\$159.81
1 Export Sows (+500lbs) \$ 43.00 cwt.	
B of C Ex. Rate (Noon) \$1.0108 CAD/\$0.9893 USD	
Cash Prices: Week Ending May 10, 2013	
Signature 3	74.79/164.88
Signature 4	72.71/160.29
h@ms Cash	72.03/158.79
Hylife	71.54/157.72
Thunder Creek	72.62/160.10
ISO Weans	\$27.24 US Avg.
Feeder Pigs	\$55.52 US Avg.

Fixed Forward Range	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
(Maple Leaf Sig. #3)		161.64 164.90	163.63 165.96	155.13 163.25	147.19 149.06	141.07 148.57	131.95 138.04	134.76 137.57	136.37 142.00	142.47 145.75
(Maple Leaf Sig. #4)		161.85 164.75	163.69 164.96	158.09 163.33	148.32 155.01	144.77 149.31	134.13 142.11	136.12 139.75	137.32 140.41	142.96 146.05
Soymeal Delivered	524	525	526	533	533	404	403	403		
Corn Delivered	286	288	290							

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