

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

Hog Margin Outlook

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Friday, June 21, 2013

Forward contract prices opened mixed this morning. US cash markets are finishing the week lower as most packers are scheduled to idle their production tomorrow due to the limited supply of live hogs. Packers appear content to operate at reduced levels knowing that it would force a sharp increase in cash bids to source supplies for a Saturday kill. Currently, packers are operating with a moderate but positive margin, estimated at around \$5.00/hog, without consideration for drop values or fixed costs. Lean Hog futures are called to open steady to lower as the cash market fundamentals keep the nearby contracts in check. The fall months continue to trade at a steep discount to the cash market, trading close to \$19.00/cwt. lower. This discount is second only to that of last year's discount on this date, which proved to be reflective of the seasonal trend that followed. The Canadian Dollar fell to its lowest level in more than a year, trading just above US\$0.95. Our currency has come under pressure late this week after yesterday's statement from the US Federal Reserve that it may halt the financial stimulus known as 'Quantitative Easing' which investors believe would be detrimental to the US economy in the short run.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed. Analysts are describing a 'complete collapse' in commodity markets yesterday, but there is talk that the market reaction was overstated. Major factors included indications that US Federal Gov't stimulus programs are nearing an end, and a slowing Chinese economy. Favourable weather forecasts are adding new crop pressure while poor export data has pressured the nearby contracts.

Canadian delivered corn prices opened lower this morning. US corn futures are trading lower. As with soybeans, US corn contracts are being affected by 'external' conditions as well as bearish fundamentals. Export data remains poor and weather forecasts are viewed as generally favourable. There are some heat concerns during the critical pollination period but also talk that the market has already taken this into account. The highly anticipated NASS Acreage report will be released next Friday, June 28.

US Slaughter	
400,000	Thursday
399,000	Thursday (year ago)
W. Corn Belt	\$100.48
National Price	\$103.52
Daily Sig 3	\$191.31
Daily Sig 4	\$190.86
Thunder Creek	\$191.45
4-Month Fwd.	\$162.34
#1 Export Sows (+500lbs)	\$ 49.00 cwt.
B of C Ex. Rate (Noon) \$1.0387 CAD/\$0.9627 USD	
Cash Prices: Week Ending June 21, 2013	
Signature 3	84.80/186.96
Signature 4	84.53/186.36
h@ms Cash	83.85/184.86
Hylife	n/a
Thunder Creek	84.69/186.70
ISO Weans	\$28.08 US Avg.
Feeder Pigs	\$49.37 US Avg.

Fixed Forward Range	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3			166.86 180.71	158.68 160.61	152.25 159.96	143.73 149.99	146.62 149.51	146.58 152.18	152.86 156.24	150.35 153.73	152.52 156.39
Maple Leaf Sig. #4			169.69 179.47	159.62 166.52	155.28 159.94	145.16 153.37	147.21 150.94	146.81 149.99	152.61 155.79	151.58 154.39	151.26 155.01
Soymeal Delivered	563	579	583	583	583	462	462				
Corn Delivered	287	289	291								

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