



# Hog Margin Outlook

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Tuesday, July 23, 2013

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

**Forward contract prices opened mixed this morning.** US cash markets started the week higher with all regions reporting gains from Friday's trade. Estimated packer operating margins are in negative territory as wholesale pork prices are trading at equivalent prices to the live animal. With hog supplies near the tightest of the year, packers are likely to give up some profitability in exchange for maintaining market share. Lean Hog futures are trading sharply higher this morning, as traders are responding to yesterday's Cold Storage report. Supplies of pork on June 30 dropped 15% from a month earlier and about 5% compared to year ago levels. Until this report, month end supplies in 2013 have been consistently larger than year ago levels, but this report suggests better than anticipated consumption for both the domestic and export markets. Despite the Canadian Dollar trading at the highest level in a month, today's gains in the forward prices should be considered a hedging opportunity for the early fall timeframe.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower following a climb yesterday, led by soymeal, in which the August contract reached limit up. Showers in the north western Corn Belt and a Crop Progress report that was marginally better than market expectations is contributing pressure today. However, rumors that US farmers are holding off on new crop sales and that current soybean usage is at unsustainable levels are providing support across all contracts.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower. The weather is the dominating influence over the trade with worse than expected weekly crop conditions offset by forecasted showers and 'normal' temperatures. Analysts note that the hedge funds are currently holding net short positions on corn relative to a history of net long positions. There is talk that this signals the funds expect a further move downward.

US Slaughter	
395,000	Monday
400,000	Monday (year ago)
W. Corn Belt	\$99.02
National Price	\$100.56
Daily Sig 3	\$187.62
Daily Sig 4	\$184.51
Thunder Creek	\$188.75
4-Month Fwd.	\$155.21
#1 Export Sows (+500lbs) \$ 67.50 cwt.	
<b>B of C Ex. Rate (Noon)</b> \$1.0337 CAD/\$0.9673 USD	
<b>Cash Prices: Week Ending July 19, 2013</b>	
Signature 3	85.42/188.31
Signature 4	85.18/187.78
h@ms Cash	84.50/186.28
Hylife	84.19/185.61
Thunder Creek	86.41/190.50
ISO Weans	\$32.84 US Avg.
Feeder Pigs	\$51.36 US Avg.

Fixed Forward Range	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		166.93	158.89	152.62	143.62	146.46	146.67	152.85	150.38	151.91
		166.93	160.79	160.20	149.78	149.30	152.38	156.18	152.76	160.51
Maple Leaf Sig. #4		169.07	159.18	155.50	144.95	149.35	146.82	152.53	150.60	150.62
		169.07	165.95	160.09	153.03	150.64	149.95	155.67	153.36	157.84
Soymeal Delivered	646	646	646	540	463	463				
Corn Delivered	290	292	295							

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