



Hog Margin Outlook

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Wednesday, August 14, 2013

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

Forward contract prices opened higher this morning. US cash markets regained value that was lost earlier in the week with packer bids near the \$100/cwt. benchmark, in regions representing the majority of hogs. Packer profitability remains moderately profitable with packers willing to continue at current levels if the supply of live hogs continues to grow. With US cash markets trading firm amid more ample supplies, traders of Lean Hog futures have been struck by a wave of optimism. The nearby contracts finally broke through a key resistance level and are now trading at the highest levels seen so far in 2013. While the October contract remains at a steep discount to the current cash market, forward prices represent fair value given the fact that in each of the last two years, the cash market has fallen about \$40/kg from mid-August to mid-September. Producers that have no protection in the month of September should consider pricing as much as 40% of their production at current prices, as recent history has proven this timeframe to experience the weakest cash market of the year.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed following evening session weakness, in part due to weakening crush margins and some softening in the nearby US barge market. Support comes from cooler temperatures that hinder pod development with some now suggesting a 'normal' frost could take its toll due to late development. Many feel the USDA was ambitious in lowering export demand by 65 million bu. in Monday's WASDE report.

Canadian delivered corn prices opened higher this morning. US corn futures are trading higher amid uncertainty following USDA reports that could be considered controversial. In fact, many are shunning the USDA yield numbers (154.4 bu./acre) and are keeping 158-160 bu./acre estimates. The criticism is that USDA ear weights were lower due to late development, that the crop should rebound, and that in six of the last 10 years, final numbers have been higher in years when the USDA lowered its August estimate.

US Slaughter	
416,000	Tuesday
420,000	Tuesday (year ago)
W. Corn Belt	\$99.44
National Price	\$101.70
Daily Sig 3	\$188.56
Daily Sig 4	\$186.75
Thunder Creek	\$188.73
4-Month Fwd.	\$157.24
B of C Ex. Rate (Noon)	
\$1.0345 CAD/\$0.9667 USD	
Cash Prices Week Ending August 9, 2013	
Signature 3	85.63/188.77
Signature 4	84.10/185.40
h@ms Cash	83.42/183.90
Hylife	83.60/184.31
Thunder Creek	83.19/183.40
ISO Weans	\$35.82 US Avg.
Feeder Pigs	\$55.88 US Avg.
#1 Export Sows (+500lbs)	\$ 65.00 cwt.

Fixed Forward Range	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		162.30 164.19	155.99 163.59	146.75 152.92	149.59 152.44	148.13 154.79	155.26 157.64	149.55 152.88	151.88 158.57	160.38 168.02
Maple Leaf Sig. #4		162.67 169.27	158.78 163.56	147.99 156.08	150.01 153.69	150.26 152.29	155.24 156.71	150.72 153.49	150.59 156.88	159.65 167.23
Soymeal FOB Winnipeg	542	542	517	450	450	459				
Corn FOB Wpg.	251	523	255	206						

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