

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

Hog Margin Outlook

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Tuesday, August 20, 2013

Forward contract prices opened higher this morning. US cash markets are softening as packers are having no difficulty meeting their production requirements, which are anticipated to be over 2.2 million hogs, higher than last week's 2.17 million hogs. Last week's slaughter was consistent with year ago levels, but gained about 8% over the previous week. Wholesale pork prices experienced some weakness in trade yesterday as the loin primal dropped about \$5.00/cwt., influencing the value of the cut-out lower by about \$1.40/cwt. As hog marketings ramp up by more than 100,000 hogs over the next few weeks, packers will attempt to widen their operating margins by dropping their cash bids. Lean Hog futures reflect the anticipated lower cash trend as they remain discounted by more than \$10/cwt. from the cash index. The commitment-of-traders report shows a record large fund long position, which has been supportive, but could lead to weakness should the futures move lower.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed. There is some uncertainty in deferred contracts as a better chance of rainfall in northern areas, a better than expected start to a popular crop tour (higher pod count than last year) and profit taking has influenced a move lower. Support comes from a relatively drier Midwest and thoughts of an early frost although there is talk that yesterday's spreads and futures-driven upside is now overdone for the time being.

Canadian delivered corn prices opened higher this morning. US corn futures are trading lower amid profit taking following yesterday's rally. Crop progress was reported as 61% G/E, along the lines of market expectations. The crop tour has reported better than average yield estimates for two states so far although dryness is an issue in some areas. There is little to no rain forecast for Missouri, Illinois, Indiana and a large area of Ohio, but Nebraska, Iowa and southern Minnesota are expecting rain by the weekend.

| US Slaughter | |
|----------------|----------------------|
| 428,000 | Monday |
| 422,000 | Monday (year ago) |
| W. Corn Belt | \$94.05 |
| National Price | \$101.03 |
| Daily Sig 3 | \$178.15 |
| Daily Sig 4 | \$185.32 |
| Thunder Creek | \$177.83 |
| 4-Month Fwd. | \$154.16 |

| | |
|-------------------------------|--|
| B of C Ex. Rate (Noon) | |
| \$1.0334 CAD/\$0.9676 USD | |

| Cash Prices Week Ending August 16, 2013 | |
|--|--------------|
| Signature 3 | 84.26/185.75 |
| Signature 4 | 84.54/186.37 |
| h@ms Cash | 83.86/184.87 |
| Hylife | 83.80/184.74 |
| Thunder Creek | 85.78/189.10 |

| | |
|--------------------------|-----------------|
| ISO Weans | \$37.87 US Avg. |
| Feeder Pigs | \$55.26 US Avg. |
| #1 Export Sows (+500lbs) | \$ 67.00 cwt. |

| Fixed Forward Range | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|----------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 162.38 162.85 | 155.52 163.13 | 146.35 152.56 | 149.21 152.08 | 148.10 154.80 | 155.28 157.67 | 150.15 153.50 | 151.56 158.23 | 160.67 168.30 |
| Maple Leaf Sig. #4 | | 162.32 162.87 | 158.37 163.18 | 147.64 155.78 | 149.67 153.37 | 149.16 152.31 | 155.28 156.76 | 151.33 154.11 | 150.27 156.55 | 159.93 167.50 |
| Soymeal Winnipeg Delivered | 536 | 536 | 526 | 480 | 480 | 486 | | | | |
| Corn Wpg Delivered | 266 | 268 | 270 | 204 | | | | | | |

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