



Hog Margin Outlook

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Wednesday, September 18, 2013

Forward contract prices opened lower this morning. US cash markets continued on their recent trend higher, despite packer operating margins that are in negative territory. However, wholesale pork prices finally received some support from the recent tight supplies, with the pork carcass cut-out climbing close to \$2.00/cwt. in trade yesterday. Pork processors are finding supplies much tighter than anticipated, with some finding it difficult to meet their sales obligations, resulting in more aggressive cash bids. Most analysts believe that the tight supply situation is temporary, a feature of the record breaking heat wave that covered much of the Midwest for about two weeks. Lean Hog futures were unable to hold on to the gains made earlier in the week, and could see weakness if weekly slaughter levels start to approach 2.3 million hogs. The Canadian Dollar is expected to remain under pressure, with weakening commodity prices providing the rationale.

Canadian delivered soymeal prices opened lower this morning. US soybeans futures are trading mixed. Yesterday's Weekly Weather and Crop Bulletin had a bearish influence on the trade amid talk that the market has removed some of its frost premium. Recent rain in some dry areas could also benefit the crop. There are conflicting reports on the status of the harvest; a private firm has stated it has begun in the delta while the USDA confirms no such event. 50% of the crop is in good/excellent condition, 17 points better than last year.

Canadian delivered corn prices opened even this morning. US corn futures are trading mixed. Commodities markets are pressured today, including agriculture markets, ahead of a US Federal Reserve announcement in which many expect Chairman Bernanke to confirm the central bank will cut its asset purchases (e.g. bonds) by \$10 billion USD per month. A dissipating early frost scare is also adding pressure. Support comes from technical trading action and the recent FAS report showing an increase in acres not planted due to extreme weather.

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

US Slaughter	
435,000	Tuesday
434,000	Tuesday (year ago)
W. Corn Belt	\$96.88
National Price	\$95.46
Daily Sig 3	\$182.75
Daily Sig 4	\$174.37
Thunder Creek	\$183.00
4-Month Fwd.	\$157.30

B of C Ex. Rate (Noon)
 \$1.0291 CAD/\$0.9717 USD

Cash Prices Week Ending September 13, 2013	
Signature 3	79.40/175.05
Signature 4	77.23/170.27
h@ms Cash	76.55/168.77
Hylife	76.89/169.52
Thunder Creek	78.34/172.70

ISO Weans \$39.42 US Avg.
 Feeder Pigs \$56.33 US Avg.
 #1 Export Sows (+500lbs)
 \$ 67.00 cwt.

Fixed Forward Range	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		160.52	151.56	154.41	152.26	159.38	152.64	154.99	163.46	167.74
		166.68	157.72	157.25	158.90	161.75	155.96	161.55	171.07	176.78
Maple Leaf Sig. #4		163.15	152.64	154.66	153.14	159.20	153.69	153.58	162.62	166.30
		166.45	160.71	158.33	156.26	160.67	156.45	159.85	170.17	172.94
Soymeal Winnipeg Delivered	561	528	507	507	511	513				
Corn Wpg Delivered	239	241	194							

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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