



Hog Margin Outlook

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Tuesday, September 24, 2013

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

Forward contract prices opened higher this morning. US cash markets started the week with slightly lower bids, but constrained supplies are expected to bring support to most regions by mid-week. Daily slaughter levels are still running less than 420,000 hogs, while in the last two years, daily slaughter levels averaged more than 430,000 hogs during this timeframe. Wholesale pork prices found support to take prices higher than the benchmark \$100/cwt., a level not seen for a month. Yesterday's USDA Cold Storage report showed September 1st pork inventories down about 8% from year ago levels, with recent tight supplies contributing to this deficit. Currently, almost all Lean Hog futures contracts are trading within \$1.00/cwt. of their highs, reflecting the bullish cash market fundamentals. While near hog supplies are expected to grow to year ago levels in the coming weeks, the impact of the PED virus could constrain weekly slaughter by 3-5% in some of weeks during the November – December timeframe. Producers looking for protection should consider setting targets at levels \$10/ckg higher than current forward prices, due to the potential upside in the cash market.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher ahead of the critical mass of the harvest; yesterday's harvested acres numbers came in lower than the 10-year average (21%) at 3% and crop conditions were lower than expected. There is uncertainty and talk that bpa will be watched closely as estimates could have a significant influence on prices. A 1 bpa loss could take 75 million bu. out of the carryout, pushing levels to the USDA minimum of 125 million bu., adding significant support, while a 1 bpa gain would have the opposite price effect.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Unlike soybeans, corn in comparison is more stable price-wise as a result of large carryout estimates. A 1 bpa move in corn yield is worth roughly 100 million bu., but with 2013/14 carryout estimates of 1.7 to 1.8 billion bu., 100 million bu. will have less of an impact on pricing (compared to soybeans). Mild support came from the Crop Conditions report yesterday that saw 7% harvested compared to the expected 11% from traders, but the trade remains bearish for US corn.

US Slaughter	
419,000	Monday
434,000	Monday (year ago)
W. Corn Belt	\$93.22
National Price	\$97.38
Daily Sig 3	\$175.75
Daily Sig 4	\$177.81
Thunder Creek	\$175.74
4-Month Fwd.	\$158.39
B of C Ex. Rate (Noon) \$1.0283 CAD/\$0.9724 USD	
Cash Prices Week Ending September 20, 2013	
Signature 3	81.79/180.32
Signature 4	79.31/174.85
h@ms Cash	78.63/173.35
Hylife	79.19/174.58
Thunder Creek	80.20/176.80
ISO Weans	\$42.11 US Avg.
Feeder Pigs	\$59.93 US Avg.
#1 Export Sows (+500lbs)	\$ 70.00 cwt.

Fixed Forward Range	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		163.33	152.99	155.76	154.52	161.64	155.81	157.59	165.41	169.67
		163.33	159.07	158.60	161.16	164.01	159.13	164.23	172.99	175.84
Maple Leaf Sig. #4		165.49	153.21	155.60	155.14	160.84	156.76	156.10	164.49	168.16
		165.49	161.64	159.26	158.27	161.58	159.52	162.34	172.02	172.75
Soymeal Winnipeg Delivered	546	513	492	492	496	499				
Corn Wpg Delivered	224	226	189							

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