



Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, October 24, 2013

Forward contract prices opened higher this morning. US cash markets were mixed in yesterday's trade, with packers having good incentives to fill up capacity, while some are hesitant to bid away their profitability. The pork cut-out experienced a sharp drop in yesterday's trade, losing everything it gained so far this week. While hog supplies continue to run slightly below year ago levels, average hog weights are running about 2% heavier than at this time last year. Producers have strong incentive to maximize carcass weights, as feed ingredient costs are sharply lower and hog values are trading just short of record high levels, resulting in a positive margin over feed. The futures market continues to factor in the uncertainty associated with tight supplies as a result of PED virus, and the possibility of increased pork exports to China after the completion of the Shuangshui purchase of Smithfield announced earlier this year. The Canadian Dollar is trading at its lowest level in over a month as the Loonie weakened in response to the Bank of Canada's forecast for sluggish economic growth over the next two years.

Canadian delivered soymeal prices opened higher this morning. US soybeans moved higher yesterday following strength in the meal market; meal rose to its highest level since mid-September on technical spreads and firm basis levels. However, prices remain in check on expected increases in supply. There is talk that price response will shortly become more demand-side driven with harvest over half complete; traders are noting the weak economic performance in China could further temper that demand, adding pressure.

Canadian delivered corn prices opened even this morning. US corn futures rallied yesterday following news that ethanol production was up 28,000 barrels per day for the week ending October 18; 3.2% up over last week and 11.9% up over last year. Mild support also follows reports that Brazil and Argentina will plant less corn than last year implying farmers are switching to soybeans in S. America. However, with US carryout approaching 2 billion bu., the trade maintains a bearish bias.

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

US Slaughter	
430,000	Wednesday
434,000	Wednesday (year ago)
W. Corn Belt	\$ 86.68
National Price	\$ 91.21
Daily Sig 3	\$ 165.00
Daily Sig 4	\$ 168.13
Thunder Creek	\$ 164.67
4-Month Fwd.	\$ 161.42
B of C Ex. Rate (Noon) \$1.0385 CAD/\$0.9629 USD	
Cash Prices Week Ending October 18, 2013	
Signature 3	75.75/167.00
Signature 4	76.41/168.45
h@ms Cash	75.73/166.95
Hylife	75.64/166.75
Thunder Creek	77.52/170.90
ISO Weans	\$52.35 US Avg.
Feeder Pigs	\$69.70 US Avg.
#1 Export Sows (+500lbs)	\$55.50 cwt.

Fixed Forward Range	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		155.76	158.63	158.23	165.42	161.35	163.08	173.37	177.68	174.46
		157.67	161.50	164.94	167.82	164.71	169.79	181.03	183.90	181.66
Maple Leaf Sig. #4		156.02	158.43	158.79	164.55	162.19	161.45	172.24	175.95	173.68
		160.10	162.13	161.95	165.29	164.98	167.76	179.85	180.59	180.75
Soymeal Winnipeg Delivered	528	528	528	530	530	530				
Corn Wpg Delivered	181	181	189	189	189					

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h@ms 2013 Fall Marketing Meeting Schedule

Meeting	Date and Time	Location
Swift Current	Oct. 30 @ 12:00PM (Wed.) - with lunch	Days Inn - 905 North Service Rd. E., Swift Current
Saskatoon	Oct. 30 @ 6:00PM (Wed.) - with dinner	Sandman Hotel - 310 Circle Dr. W., Saskatoon
Starbuck	Nov. 7 @ 2:00 PM (Thurs.) - BBQ to follow	Starbuck Community Hall - 25 Main Street, Starbuck
Steinbach	Nov. 8 @ 12:00 PM (Fri.) - with lunch	Smitty's - 145 Park Rd. W., Steinbach