



Hog Margin Outlook

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Tuesday, November 19, 2013

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

| US Slaughter | |
|--|----------------------|
| 438,000 | Monday |
| 435,000 | Monday (year ago) |
| W. Corn Belt | \$ 78.34 |
| National Price | \$ 83.99 |
| Daily Sig 3 | \$ 149.73 |
| Daily Sig 4 | \$ 155.45 |
| Thunder Creek | \$ 149.17 |
| 4-Month Fwd. | \$160.61 |
| B of C Ex. Rate (Noon) \$1.0427 CAD/\$0.9590 USD | |
| Cash Prices Week Ending November 15, 2013 | |
| Signature 3 | 70.79/156.07 |
| Signature 4 | 72.14/159.05 |
| h@ms Cash | 71.46/157.55 |
| Hylife | 71.39/157.38 |
| Thunder Creek | 70.49/155.40 |
| ISO Weans | \$73.69 US Avg. |
| Feeder Pigs | \$77.21 US Avg. |
| #1 Export Sows (+500lbs) | \$63.50/cwt. tagged |

Forward contract prices opened mixed this morning. US cash markets are trading near steady with yesterday's trade, but the longer term trend has been lower, with pressure coming from heavier carcass weights. Producers have had strong incentives to add weight to their market animals as lower feed costs have reduced the cost of gain to below the meat value. As a result, carcass weights are at all-time high of 213 pounds (74% yield), with packers willing to accept even heavier weights. While down more than 5% from the highs of 3 weeks ago, Lean Hog futures still represent good value as they continue to trade at a premium to recent cash market prices amid the uncertainty related to the PED virus impacted supply. Swine veterinarians, the only current source of information on the PED virus, continue to report an increase in the outbreak in the disease, which will impact the market in the spring/summer of 2014.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower following a technical corrective bounce on Monday (in part due to a large sell-off the previous Friday). Trading is choppy as well as sensitive to market news amid recently low USDA ending stocks estimates. Despite this recent volatility, analysts are suggesting soybean contracts are poised for more pressure as a result of a combination of good S. American weather, an estimated rise in US planted acres for next year, and less biofuel demand.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher, but news of the lowered EPA Ethanol Mandate and word that China has rejected a US cargo found to be containing a GM variety unapproved for Chinese import is adding pressure. The Chinese rejection has analysts keeping a sharp eye on the remaining cargoes already loaded and heading to the region. As well, competition from the Black Sea region is pressuring the trade and cumulative US corn shipments are only at 18.2% compared to the 20.8% 5-year average.

| Fixed Forward Range | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
|----------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 153.16 156.04 | 155.33 162.53 | 164.45 165.41 | 163.97 167.33 | 166.17 172.42 | 176.31 184.00 | 180.64 185.44 | 177.18 184.41 | 169.76 176.03 |
| Maple Leaf Sig. #4 | | 155.00 156.29 | 155.25 159.53 | 162.13 162.88 | 163.06 165.85 | 162.78 169.11 | 172.97 180.60 | 176.69 181.35 | 174.19 181.28 | 171.86 173.72 |
| Soymeal Winnipeg Delivered | 514 | 514 | 515 | 515 | 515 | | | | | |
| Corn Wpg Delivered | 198 | 200 | 202 | | | | | | | |

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