



Hog Margin Outlook

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Thursday, November 21, 2013

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

US Slaughter	
438,000	Wednesday
429,000	Wednesday (year ago)
W. Corn Belt	\$78.49
National Price	\$ 83.28
Daily Sig 3	\$150.27
Daily Sig 4	\$154.40
Thunder Creek	\$150.22
4-Month Fwd.	\$163.26
B of C Ex. Rate (Noon)	
\$1.0445 CAD/\$0.9573 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 higher this morning. US cash markets are called steady to lower as relatively high hog weights and larger slaughter numbers have been increasing supply and pressuring packer bids. Cash markets have been somewhat inconsistent this week with offers neither steadily increasing nor decreasing over the week but with spreads averaging \$1.26/cwt. across the National, ISM and WCB reporting regions. While packers have enough supplies to fill out the remainder of the week, there is some talk that packers will plan to start an increase in production schedules, ahead of the seasonal holiday demand, if they haven't done so already. Lean hog futures are trading in a choppy pattern. There is still an aura of uncertainty, particularly 3-5 months out (the period in which the effects of the PED virus are expected but as yet unknown); analysts will not have a clearer picture of the pig crop until December 27, when the next quarterly hog and pigs report is scheduled for release. There is a general consensus PEDv will impact the trade; however, the questions that remain are 'to what degree' and 'for how long'. In the meantime, forward contracts are maintaining relative value as compared historically, supported in part by PEDv and seasonality more generally.

Canadian delivered soymeal prices opened higher this morning. US soybeans are trading higher. Short term support is attributed to strong demand news, particularly from China where buyers are reportedly buying the current crop faster than shipments, a hedging move against Argentine weather risks. While the weather in S. America remains good for crop development (forecasts show only slightly less rain), there are some dry areas of concern.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Fundamental data and projections for corn are still influencing a bearish bias although recent export demand from South Korea and technical short covering activity is pushing the trade higher this morning. Further pressure comes from the Black Sea region where corn is trading at a discount to the US variant.

Fixed Forward Range	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #3		155.22	158.00	167.18	166.98	169.33	179.16	183.52	178.60	170.75
		158.11	165.24	168.14	170.36	175.62	186.91	188.37	185.84	177.02
Maple Leaf Sig. #4		157.03	157.86	164.79	166.00	165.84	175.75	179.50	175.57	172.82
		158.34	162.17	165.54	168.81	172.22	183.44	184.19	182.67	174.69
Soymeal Winnipeg Delivered	514	514	515	515	515					
Corn Wpg Delivered	198	200	202							

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