



Hog Margin Outlook

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Tuesday, January 07, 2014

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

US Slaughter	
323,000	Monday
428,000	Monday (year ago)
W. Corn Belt	\$79.44
National Price	\$80.68
Daily Sig 3	\$155.21
Daily Sig 4	\$152.65
Thunder Creek	\$154.94
4-Month Fwd.	\$170.15
B of C Ex. Rate (Noon)	
\$1.0659 CAD/\$0.9381 USD	
Cash Prices Week Ending January 3, 2014	
Signature 3	68.39/150.78
Signature 4	68.76/151.58
h@ms Cash	68.08/150.08
Hylife	68.34/150.67
Thunder Creek	66.81/147.30
ISO Weans	\$84.09 US Avg.
Feeder Pigs	\$94.73 US Avg.
#1 Export Sows (+500lbs)	\$57.50/cwt. tagged

Forward contract prices opened higher this morning. US cash markets are called steady amid a general sense that the seasonal lows have been or will soon be reached. Alternatively, low marketings in some states due to frigid weather is limiting hog movement and adding some support (Iowa and Minnesota); cash fluctuations and anomalies are expected moving forward. Record high hog weights have seemingly offset PEDv issues that started to crop up in the fall while packer owned hog facilities have generally added weight in order to make up for the 'hole' that has, at least to this point, been averted by the strategy. Analysts have started to talk about a situation that could materialize if hard evidence of PEDv does not start to materialize soon. It is thought that despite a recent increase in reported cases, downward pressures will start to appear in the cash (and futures) markets as more pork comes to market. The next quarterly Hogs and Pigs report is not due until March meaning traders and analysts alike will likely be using proxy information to get a handle on the supply situation. Lean Hog futures closed higher Monday amid talk of tight beef supplies and the seasonal low for hog availability. However the nearby futures were showing some weakness, undermined by recent wholesale cash markets; PEDv and weight dynamics continue to add uncertainty to the deferreds.

Canadian delivered soybean prices opened higher this morning. US soybean futures are trading lower amid talk that the USDA could be underestimating the S. American crop as decent weather continues to aid crop development. As well, there are thoughts that the US crop will be larger in the next marketing season. Pressure comes from export sales that are over 100% of estimates meaning old crop product remains supported amid bearish new crop estimates.

Canadian delivered corn prices opened higher this morning. US corn futures are trading higher, somewhat 'propped up' by developments in the wheat market. As well, there is talk that technical rebalancing and short position covering are factors contributing to US corn's support. There are rumors ahead of Friday's WASDE report that ending stocks and production estimates will be revised upwards, adding pressure.

Fixed Forward Range	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		161.81 162.80	165.16 168.62	167.55 173.99	182.20 193.09	189.62 194.57	186.95 194.37	175.14 186.12	160.44 167.22	157.46 162.43
Maple Leaf Sig. #4		160.04 161.37	163.57 166.82	163.79 170.30	178.07 188.03	184.58 189.57	182.47 189.57	176.21 182.24	158.44 171.33	158.83 160.56
Soymeal Winnipeg Delivered	550	550	550	552	552					
Corn Wpg Delivered	179	184								

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