



Hog Margin Outlook

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Monday, January 13, 2014

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

US Slaughter	
2.102 mil.	Last Week
2.268 mil.	Last Week (year ago)
W. Corn Belt	\$76.27
National Price	\$81.39
Daily Sig 3	\$152.62
Daily Sig 4	\$157.72
Thunder Creek	\$151.90
4-Month Fwd.	\$171.38
B of C Ex. Rate (Noon)	
\$1.0917 CAD/\$0.9160 USD	
Cash Prices Week Ending January 10, 2014	
Signature 3	69.79/153.87
Signature 4	69.87/154.03
h@ms Cash	69.19/152.53
Hylife	69.38/152.96
Thunder Creek	68.63/151.30
ISO Weans	\$84.11 US Avg.
Feeder Pigs	\$92.89 US Avg.
#1 Export Sows (+500lbs)	\$57.50/cwt. tagged

Forward contract prices opened lower this morning. US cash markets finished the week lower with the delayed marketings due to last week's cold weather impacting the late week trade, resulting in the week's slaughter totaling 2.1 million hogs, about 150k lower than year ago levels. Packers are expecting abundant supplies to start the week, resulting in steady to lower bids across most reporting regions. Record high prices for boxed beef, approaching \$215/cwt, is providing support to wholesale pork prices as retailers look for alternatives to beef that have more attractive margins. Increasingly, traders are optimistic that demand will hold as the US economy appears on a more solid footing, compared to any point in the last 5 years. Summer month Lean Hog futures have benefitted from numerous bullish fundamental factors with the PED virus impact on available supplies being top of the list. While further gains in this timeframe are possible, current prices represent good value from a historical perspective. The low Canadian Dollar enhances the forward prices further as the Loonie trades at its lowest level in nearly 4 years.

Canadian delivered soymeal prices opened lower this morning. US soybean prices are trading lower to start the week. Friday's 'bullish' WASDE report raised export demand by 20 million and crush upward by 10 million bu. influencing initial market strength. However, production was also raised higher leaving an unchanged ending stocks estimation of 150 million bu. In addition, global supply expectations have somewhat offset US domestic demand concerns following Friday's WASDE report contributing to the pressure witnessed this morning.

Canadian delivered corn prices opened higher this morning. US corn futures are trading higher on thoughts of extending the recent move upward (triggered by Friday's 'surprising' WASDE report) into some technical short-covering opportunities. Relative to market expectations, the report was considered bullish on news of a lowered ending stocks expectation to 1.631 billion bu, 229 million bu. lower than expectations. Longer term expectations are still biased toward the bears, but some time will be required for the market to readjust and rebalance.

Fixed Forward Range	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		163.39 164.39	167.08 170.57	169.41 175.91	184.61 195.61	192.11 197.11	189.89 197.41	178.26 188.99	161.72 170.24	158.48 165.01
Maple Leaf Sig. #4		160.83 162.18	164.70 167.98	164.83 171.41	179.64 190.49	187.00 192.04	185.34 192.52	178.54 184.27	160.18 173.49	159.40 162.32
Soymeal Winnipeg Delivered	556	556	556	557	557					
Corn Wpg Delivered	186	191								

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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