



Hog Margin Outlook

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Wednesday, January 15, 2014

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

US Slaughter	
425,000	Tuesday
428,000	Tuesday (year ago)
W. Corn Belt	\$78.33
National Price	\$80.81
Daily Sig 3	\$159.66
Daily Sig 4	\$156.83
Thunder Creek	\$157.40
4-Month Fwd.	\$174.32
B of C Ex. Rate (Noon) \$1.0869 CAD/\$0.9200 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)	\$58.00/cwt. tagged

Forward contract prices opened higher this morning. US cash markets are called to move higher, despite the large daily slaughters, estimated to be 430,000 hogs, packers have managed to put together over the last couple of days. Most traders and analysts believe that the hog supply will tighten from current levels, in line with the normal seasonal trend, normally preceded by a drop in carcass weights. However, producers may not be easily influenced by higher packer bids as they appear more focused on maximizing carcass weights given lower feed costs. Lean Hog futures are being influenced by the bullish cash market fundamentals, but are also factoring in the record high beef prices that will make pork an attractive alternative to retailers and consumers. Most of the summer month contracts are trading at or near contract highs in a steady-to-firm trend. The Canadian Dollar continues to succumb to pessimistic trader sentiment, with many analysts suggesting it could trade at less than US\$0.90 for a good portion of 2014. While price trends in both the hog and dollar components of forward prices suggest further upside, current prices represent fair value in the context of historical price trends.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed. Strength comes from sustained demand and concerns that the Chinese may not cancel orders, (thus providing no demand relief), under rather tight ending stocks conditions. The market is/was expecting between 1 and 2 MMT to be cancelled. There is also some weather uncertainty in S. America (more so for corn); Brazil is generally favourable but heat stress is possible in Argentina, muddying S. American production estimates.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower on thoughts that the effects of the surprises in the WASDE report have had a few days to work through, and for market participants to digest the information and rebalance positions; the tone is generally bearish amid record crop estimates, despite the reductions. Corn is entering its critical pollination stage in Argentina and with some high temperatures forecast, there is some talk about the possibility of some significant heat stress.

Fixed Forward Range	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		166.71 167.72	170.13 173.65	172.57 179.12	187.62 198.70	195.18 200.21	192.60 200.17	180.44 191.65	163.78 172.36	160.53 167.11
Maple Leaf Sig. #4		164.07 165.43	167.67 170.97	167.90 171.53	182.56 193.49	189.98 195.05	187.97 195.21	180.70 186.86	162.21 175.61	161.43 164.37
Soymeal Winnipeg Delivered	568	568	568	569	569					
Corn Wpg Delivered	184	190								

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