



# Hog Margin Outlook

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Monday, February 03, 2014

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

US Slaughter	
2.132 mil	Last Week
2.169 mil.	Last Week (year ago)
W. Corn Belt	\$81.27
National Price	\$82.45
Daily Sig 3	\$164.64
Daily Sig 4	\$162.73
Thunder Creek	\$166.18
4-Month Fwd.	\$185.60
<b>B of C Ex. Rate (Noon)</b>	
\$1.1119 CAD/\$0.8994 USD	
<b>Cash Prices Week Ending January 31, 2014</b>	
Signature 3	73.76/162.62
Signature 4	73.39/161.80
h@ms Cash	72.71/160.30
Hylife	72.97/160.87
Thunder Creek	72.85/160.60
ISO Weans	\$83.10 US Avg.
Feeder Pigs	\$101.32 US Avg.
#1 Export Sows (+500lbs)	\$49.50

**Forward contract prices opened lower this morning.** US cash markets are expected to start the week steady to slightly lower, after last week's late surge of supplies. While the week's numbers were down close to 90,000 hogs from the previous week, Saturday's slaughter came nearly 20,000 hogs larger than last Saturday. While still a deficit in hog numbers, total pork production is nearly 2% larger than year ago levels as carcass weights continue to run significantly larger than levels seen at this time last year. Futures markets are still struggling with the question of how large the premium of the April contract over the cash market should be, with the current \$12/cwt being 4 times larger than the 5-year average. Today, the market will see influence from the cattle market which is reacting higher to the USDA's Cattle Inventory report that showed cattle numbers are at their tightest level in 63 years. However, forward prices are expected to remain near steady with Friday's trade, with the Canadian Dollar appreciating by half a cent this morning, partly on renewed optimism that the Keystone XL pipeline may be approved.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading higher despite fundamental indicators that show Brazil is expecting high yields and talk that shipments have already started leaving the country inferring that China's import demand for US beans could wane. As well, cooperative weather in the region is favouring the bears. Nevertheless, there is talk support is a function of strong export demand, tight old crop stocks and some technical indicators; a key nearby, resistance level (March, \$12.86 3/4) was breached this morning.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading higher. Export activity, strong demand and reduced farmer sales are supporting US corn this morning. As well, the Commitments of Traders report has shown that some of the funds are decreasing their short positions. European and Middle Eastern customers continue to buy US corn as Ukraine farmers hold onto stocks; Spain and Egypt have recently made US purchases pushing export sales to 86.5% of the USDA forecast.

Fixed Forward Range	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		176.11	178.51	194.92	202.54	199.58	183.80	168.02	163.80
		179.66	185.12	206.10	207.63	207.22	197.85	175.65	170.43
Maple Leaf Sig. #4		173.48	173.65	189.64	197.12	194.75	184.00	165.07	164.64
		176.82	180.35	200.67	202.24	202.05	192.88	178.87	167.61
Soymeal Winnipeg Delivered	581	581	574	574	568	568			
Corn Wpg Delivered	187	193							

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Tim Blackwell (OMFRA) and Mark Fynn (MPC)

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