



Hog Margin Outlook

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Wednesday, February 19, 2014

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

Forward contract prices opened higher this morning. US cash markets are trading higher, as packers attempt to maintain their slaughter schedules at last week's pace amid a tightening supply. Live hog numbers typically experience a slow seasonal decline over the next two months, decreasing about 3%. However, with the anticipated impact of PED virus, hog supplies are expected to decline at a quicker than normal trend. The latest information on the progression of the disease has about 250 cases reported for the week of Feb 5, nearly double the number reported a month earlier. Lean Hog futures continue to factor in the short supply and have moved to contract highs for all offered months. Part of the rationale behind the futures move is the positive news developing on the demand side. The domestic beef market will remain high due to the relative short supply, resulting in retail demand shifting to less expensive options. Further, export markets for pork look positioned for growth this year, with Russia admitting US pork fed without Ractopamine in March. The Canadian Dollar is helping today's forward prices, dropping nearly half a cent against the US Dollar in early morning trade.

Canadian delivered soymeal prices opened higher this morning. US soybeans are trading higher following robust trade yesterday that saw double-digit gains. Demand remains strong with 54 million bu. shipped last week. However, there is talk suggesting these highs will influence buyers to look elsewhere and with Mato Grosso harvest at 36% complete, there is an expectation that they will start sourcing from Brazil. As well, the Argentine currency has stabilized somewhat after a spectacular drop leaving some to suggest the bottom has been reached and farmers could resume sales.

Canadian delivered corn prices opened higher this morning. US corn futures are trading higher. There is talk that the recent upswing is a function of technical short covering amid a generally bearish fundamental outlook. However, analysts are suggesting that demand for US corn could remain (and possibly increase) from non-traditional customers as the unrest in the Ukraine has some buyers concerned about export logistics from the region.

US Slaughter	
425,000	Tuesday
423,000	Tuesday (year ago)
W. Corn Belt	\$88.10
National Price	\$87.78
Daily Sig 3	\$176.88
Daily Sig 4	\$170.65
Thunder Creek	\$177.48
4-Month Fwd.	\$199.02
B of C Ex. Rate (Noon)	
\$1.0953 CAD/\$0.9129 USD	
Cash Prices Week Ending February 14, 2014	
Signature 3	76.34/168.31
Signature 4	75.37/166.17
h@ms Cash	74.69/164.67
Hylife	74.92/165.16
Thunder Creek	75.80/167.10
ISO Weans	\$83.10 US Avg.
Feeder Pigs	\$104.95 US Avg.
#1 Export Sows (+500lbs)	\$59.00

Fixed Forward Range	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			185.77 192.36	198.65 212.85	209.30 214.37	208.27 214.86	194.72 207.01	177.97 186.60	173.50 181.12	155.92 164.05	163.54 164.05
Maple Leaf Sig. #4			180.09 187.55	192.85 207.20	203.66 208.77	204.23 209.44	193.58 201.44	174.50 188.46	172.83 176.76	156.21 166.63	160.93 164.47
Soymeal Wpg Delivered	603	603	599	599	592	593					
Corn Wpg Del.	194	196									

This information is intended to aid producers in making pricing decisions. Opinions given do not guarantee any future events or performance. Any unauthorized distribution (including email forwarding) of the HMO is strictly prohibited.

Location	h@ms District Meeting Schedule	Time
Days Inn, Swift Current, SK	Wednesday, March 5, 2014	10:00AM - lunch to follow
Sandman Hotel, Saskatoon, SK	Wednesday, March 5, 2014	4:00PM - dinner to follow
Headingley Community Hall, Hdly, MB	Wednesday, March 12, 2014	2:00PM - dinner to follow
Smitty's, Steinbach, MB	Friday, March 14, 2014	12:00PM - lunch served
Starbuck Community Hall, Stbck, MB	Thursday March 20, 2014	2:00PM - dinner to follow