



Hog Margin Outlook

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Monday, February 24, 2014

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

Forward contract prices opened mixed this morning. US cash markets are expected to start the week higher, continuing the firmer trend established in last week's trade. The combination of last week's slaughter and average carcass weights, estimated at 2.134 million and 215 pounds respectively, resulted in total pork production for the week of 454 million pounds. This amounts to a 6% increase in pork produced compared to the same week in 2013 and is inconsistent with the common market view that supplies will be tight in the spring due to the impact of PED virus. However, the market is not building up significant inventory as reflected by the USDA's Cold Storage report that pegged pork supplies only 3% higher than year ago levels. While we have not yet experienced the peak effect from PED outbreak in terms of a reduced weekly slaughter, futures traders may consider shaving off some of the premium on the spring and summer months if the cash market were to see any weakness. The Canadian Dollar is trading in the middle of its 1-month trading range, currently near US \$0.90.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher on strong demand for US meal and consistently tight ending stock estimations from the USDA. Persistent dryness in areas of Brazil is also adding support on thoughts of yield concerns, but so too is rain in Mato Grosso and Parana (large growing areas) on thoughts of harvest delays. 2014/15 US ending stocks projections are estimated at 285 million bu. following last week's Outlook Forum, but only under ideal weather.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower following the USDA's Agricultural Outlook Forum that has projected ending stocks to be 2.111 billion bu. on a yield of 165.3 bu./acre, pushing the stocks-to-use ratio up to 15.8%. Generally speaking, anything above 12% for corn is viewed as having a bearish price implication. Export sales have recently been supportive with cumulative sales at 86.8% (69.3% 5-yr average).

US Slaughter	
2.134 mil.	Last Week
2.069 mil.	Last Week (year ago)
W. Corn Belt	\$93.05
National Price	\$90.21
Daily Sig 3	\$189.89
Daily Sig 4	\$178.18
Thunder Creek	\$190.68
4-Month Fwd.	\$201.43
B of C Ex. Rate (Noon)	
\$1.1128 CAD/\$0.8986 USD	
Cash Prices Week Ending February 21, 2014	
Signature 3	81.92/180.61
Signature 4	77.76/171.43
h@ms Cash	77.08/169.93
Hylife	78.81/171.54
Thunder Creek	77.52/170.90
ISO Weans	\$82.31 US Avg.
Feeder Pigs	\$108.26 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			190.76 197.37	199.85 214.10	210.54 215.62	211.02 217.68	198.37 210.77	182.49 190.18	176.40 184.07	158.66 166.84	166.32 166.84
Maple Leaf Sig. #4			184.92 192.41	194.02 208.41	204.86 209.98	205.43 212.18	197.16 205.10	177.91 192.00	175.67 179.63	158.89 169.38	163.64 167.20
Soymeal Wpg Delivered	610	610	605	605	599	602					
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