



Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, February 28, 2014

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

Forward contract prices opened higher this morning. US cash markets experienced their biggest weekly rally in months, gaining more than \$5.00/cwt. Packers continue to bid aggressively for live supplies, resulting in a projected slaughter of close to 2.2 million, possibly the 3rd consecutive week that came in higher than year ago levels. Packers, wholesalers and retailers are all aggressive buyers as they attempt to build their inventory ahead of an expected 'hole' in marketings. Supplies of pork bellies are more than double that of last year, but prices have not eroded as food service companies attempt to stockpile their requirements for the summer. Lean Hog futures continue to match the gains seen in the cash market, but over the next month traders will need to see evidence of reduced hog supplies in order to maintain the premium that the nearby contracts hold over the cash market. Adding to the support are ideas of higher export sales to Mexico and Russia, which will only serve to further tighten pork supplies in the summer months. The Canadian dollar gained close to 40 basis points this morning, responding to a Statistics Canada report that showed better than expected economic growth in the 4th Quarter of 2013.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher. While a lack of Argentine sales and no Chinese cancellations are supportive, the recent rally is generally attributed to robust export demand with estimates showing current sales at 80 million bu. more than USDA estimates (i.e. cumulative sales are over 100% sold). Along with this rally comes talk of an impending (and perhaps dramatic) downside as analysts talk about technical charts entering overbought territory.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. The strength of soybeans and decent export sales numbers are supporting the corn trade. Cumulative sales are at 88.9% following weekly sales of 840,800 for the current marketing year (71.1% 5-yr average). It is expected that USDA will revise upward its export estimates in the next WASDE report, tightening ending stocks, but with new crop projections showing 2+ billion in carryout, the market is expected to turn decisively bearish further out.

US Slaughter	
427,000	Thursday
428,000	Thursday (year ago)
W. Corn Belt	\$98.74
National Price	\$94.27
Daily Sig 3	\$201.62
Daily Sig 4	\$186.40
Thunder Creek	\$201.62
4-Month Fwd.	\$205.16

B of C Ex. Rate (Noon)
 \$1.1140 CAD/\$0.8976 USD

Cash Prices Week Ending February 28, 2014	
Signature 3	87.89/193.77
Signature 4	82.58/182.05
h@ms Cash	81.90/180.55
Hylife	n/a
Thunder Creek	83.33/183.70
ISO Weans	\$82.31 US Avg.
Feeder Pigs	\$108.26 US Avg.
#1 Export Sows (+500lbs)	\$63.25

Fixed Forward Range	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			201.07 204.63	205.65 219.90	216.34 221.43	214.54 221.69	199.44 215.81	182.60 191.27	178.08 185.75	158.62 166.79	166.28 166.79
Maple Leaf Sig. #4			193.92 198.85	199.63 214.03	210.48 215.61	208.35 216.06	198.17 209.87	178.80 193.03	177.10 181.05	158.45 169.13	163.19 166.75
Soymeal Wpg Delivered	605	605	599	599	599	601	601	601			
Corn Wpg Del.		186	188								

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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