Hog Margin Outlook

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Monday, March 03, 2014

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

US Slaughter	
2.169 mil.	Last Week
2.162 mil.	Last Week (year ago)
W. Corn Belt	$100.59
National Price	$95.44
Daily Sig 3	$204.20
Daily Sig 4	$187.62
Thunder Creek	$205.10
4-Month Fwd.	$205.16
B of C Ex. Rate (Noon)	$1.1075 CAD/$0.9029 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	82.81/182.57
Thunder Creek	83.33/183.70
ISO Weans	$85.79 US Avg.
Feeder Pigs	$110.24 US Avg.
#1 Export Sows (+500lbs)	$63.25

Forward contract prices opened higher this morning. *US cash markets are called to trade higher this morning after they experienced one of the strongest weeks in years with some regions reporting a $7.50/cwt increase in packer bids. With last week's slaughter estimated at 2.169 million hogs and average carcass weights near 215 lbs, total US pork production was estimated to be up 2.7% from year ago levels. Both the cash and the futures are behaving as though supplies will tighten significantly in the near future, but there is still no direct evidence of this happening yet. Speculation that Smithfield will run its East Coast kill facilities on a 4-day production schedule starting March 10th only adds to the uncertainty. Pork buyers (both wholesale and retail) are attempting to secure their near-term requirements through any means possible, which is further contributing to the bullish market trend. Nearby forward contract prices are supported by Friday's limit up move which left some buyers of the April contract unfilled. However, some traders are questioning the fundamentals behind the rally, moderating the support. The Canadian Dollar is trading lower, contributing positively to Canadian cash and forward hog prices.*

Canadian delivered soymeal prices opened higher this morning. *Soybeans are supported on strength in grains, particularly wheat and corn. While the fundamental picture has largely remained unchanged, support also comes from news that the Brazil crop has been estimated lower on reports the central and eastern regions of the country are too dry and the western region too wet. Still a record, market expectations come in at 85-87MMT; USDA estimate is at 90MMT. Still no Chinese cancelations; still no significant Argentine sales.*

Canadian delivered corn prices opened even this morning. *US corn futures are trading higher, mainly on strength in its export business that has been recently buoyed by the unrest in the Ukraine. Thoughts are that the Ukraine's export pipeline could be disrupted and that traditional customers are looking elsewhere as a way to minimize supply risks. Ukraine was projected to export 18.5MMT this year, below Brazil's 20MMT, but above Argentina's 16MMT. There is talk the US ethanol mandate will be revised upward by 500 million gallons.*

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		210.59 213.14	210.85 225.11	221.55 226.64	218.30 225.44	202.07 220.44	185.23 193.90	180.96 188.63	158.47 166.65	166.14 166.65
Maple Leaf Sig. #4		202.94 207.08	204.68 219.08	215.53 220.66	211.98 219.69	200.72 214.35	181.35 195.58	179.89 183.85	158.31 169.00	163.06 166.62
Soymeal Winnipeg Delivered	607	603	603	603	604	604	604			
Corn Winnipeg Delivered	186	188								

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