



Hog Margin Outlook

Meeting Your Marketing Needs

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Monday, March 10, 2014

Hog Prices: ↑ Soymeal: ↓

Corn: ↔ CDN Dollar: ↓

US Slaughter	
2.033 mil.	Last Week
2.132 mil.	Last Week (year ago)
W. Corn Belt	\$107.11
National Price	\$102.72
Daily Sig 3	\$217.71
Daily Sig 4	\$202.19
Thunder Creek	\$217.77
4-Month Fwd.	\$ 227.09
B of C Ex. Rate (Noon)	
\$1.1089 CAD/ \$0.9017 USD	
Cash Prices Week Ending March 7, 2014	
Signature 3	94.46/208.25
Signature 4	87.76/193.47
h@ms Cash	87.08/191.97
Hylife	88.29/194.65
Thunder Creek	89.49/197.30
ISO Weans	\$88.87 US Avg.
Feeder Pigs	\$114.03 US Avg.
#1 Export Sows (+500lbs)	\$67.50

Forward contract prices opened higher this morning. US cash markets are starting the week with higher bids, as there is evidence that supplies are tightening and packers are resisting reductions in their slaughter schedules. With last week's slaughter estimated at 2.052 million: this is more than 150,000 hogs fewer than year ago levels and probably the first measurable supply reduction due to the PED virus. Packers still have strong incentives to bid the cash market higher in order to maintain their current slaughter schedules, as the pork cut-out is providing support. The value of the pork cut-out is now equivalent to the highest level it traded at last summer at \$112/cwt. However, should wholesale pork prices stop moving higher, packers are unlikely to increase the cash market and operate with negative margins. Lean Hog futures are trading sharply higher this morning, with traders factoring in an increase of more than \$8.00/cwt over the last month and \$15.00/cwt over the next 3 months. Evidence is still somewhat sketchy as to how large the 'hole' in marketings could be, but some analysts suggest it could be reach 10% during the summer months.

Canadian delivered soymeal prices opened lower this morning. Pressure follows news that China will cut their imports from the US by 1MMT for the 2013/14 marketing year. As well there are reports showing that despite the sustained imports, China's tonnage decreased 18.6% from previous month; there are backlogs at ports as Chinese crushers struggle with processing. Nonetheless, the downside remains limited on news of large fund net-long positioning, strong NOPA crush data and ending stocks that could be pushed to 125-135 million bu. in today's WASDE report.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. With pre-WASDE US ending stock estimates averaging 1.48 billion bu., there is talk that corn could be entering over-bought territory. Despite the tension in the Ukraine, there is news that the country exported 2.3 million tonnes of grains (85% corn), a new record. However, the downside remains limited as traders expect downgrades to Argentina (500,000 tonnes) and Brazilian (1MMT) production and expectations of lower world supplies. The WASDE report is released today at noon (Eastern).

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		222.41 223.43	229.39 240.59	239.07 245.17	234.00 241.65	209.92 232.33	194.11 201.76	189.77 196.41	162.86 171.03	168.48 171.03
Maple Leaf Sig. #4		213.20 214.39	221.64 234.26	230.12 236.04	225.91 233.61	208.32 225.08	188.56 202.98	187.82 190.99	162.55 173.24	167.30 170.96
Soymeal Winnipeg Delivered	588	598	598	598	599	599	599			
Corn Winnipeg Delivered	192	195								

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h@ms District Meeting Schedule

Location	Date	Time
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