



# Hog Margin Outlook

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Wednesday, March 12, 2014

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

US Slaughter	
413,000	Tuesday
426,000	Tuesday (year ago)
W. Corn Belt	\$110.08
National Price	\$105.70
Daily Sig 3	\$223.67
Daily Sig 4	\$207.98
Thunder Creek	\$223.92
4-Month Fwd.	\$ 229.29
<b>B of C Ex. Rate (Noon)</b> \$1.1085 CAD/ \$0.9021 USD	
<b>Cash Prices Week Ending March 7, 2014</b>	
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)	\$71.50

**Forward contract prices opened lower this morning.** US cash markets continue to move higher with the momentum of a freight train, largely fuelled by ideas of a massive 'hole' in marketings that is expected to grow over the next 3-4 months. The pork cut-out has contributed positively to the bullish market dynamic, by providing support to packer operating margins. Daily hog slaughter is down approximately 15,000 hogs from levels seen one year ago, a 3.5% reduction. In addition, there is evidence of buyers attempting to stockpile pork, which would be a factor contributing to the two week run of strong pork prices. The recent cash market strength is the predominant factor impacting the nearby futures contracts which traded at an all-time high of \$126/cwt on the June contract yesterday. There is still a great deal of uncertainty related to the supply of hogs over the next 6 months, as nobody has concrete information regarding the degree of losses related to the PED virus. The market has taken back some of its recent gains this morning, with the only constant being higher levels of volatility. The Canadian dollar is trading near the lower end of its 2 month trading range, making a positive contribution to forward prices.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower. The abrupt turn downward follows talk of eminent cancellations of both US and Brazilian bean orders from China in part due to backlogs at Chinese ports. There is also a general expectation that China's next economic report on Thursday will be somewhat negative, adding pressure to commodities generally. As well, ships are loading faster at Brazil's ports this year putting the pace of loading 2.2MMT higher than last year; Brazil's harvest is 50% complete.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower with volatility on both sides contributing to a choppy trade. A lower global economic outlook, pressures from commodities and Chinese credit concerns are weighing down the trade. But further out, support comes as next year's Ukraine corn production is uncertain; some are suggesting tightness due to major growing areas being unplanted as a result of fuel shortages and high input costs amid the unrest. The Ukraine is the world's 3<sup>rd</sup> largest corn exporter.

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		224.16 225.18	232.63 243.86	242.33 248.46	237.35 245.02	208.70 236.22	192.85 200.52	188.58 195.24	159.88 168.08	165.52 168.08
Maple Leaf Sig. #4		214.50 215.69	223.79 236.45	232.49 238.62	228.35 236.08	206.76 228.45	186.94 201.41	186.29 189.46	159.29 170.01	164.05 168.32
Soymeal Winnipeg Delivered	569	578	578	578	579	579	579			
Corn Winnipeg Delivered	192	195								

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## h@ms District Meeting Schedule

Location	Date	Time
Headingley Community Hall, Hdly, MB	<b>TODAY!</b> 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