



Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, March 18, 2014

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

| US Slaughter | |
|--|----------------------|
| 389,000 | Monday |
| 428,000 | Monday (year ago) |
| W. Corn Belt | \$118.74 |
| National Price | \$111.72 |
| Daily Sig 3 | \$240.55 |
| Daily Sig 4 | \$219.16 |
| Thunder Creek | \$240.84 |
| 4-Month Fwd. | \$243.18 |
| B of C Ex. Rate (Noon) \$1.1052CAD/ \$0.9048 USD | |
| Cash Prices Week Ending March 14, 2014 | |
| Signature 3 | 101.73/224.27 |
| Signature 4 | 94.24/207.76 |
| h@ms Cash | 93.56/206.26 |
| Hylife | 94.74/208.86 |
| Thunder Creek | 95.89/211.40 |
| ISO Weans | \$86.65 US Avg. |
| Feeder Pigs | \$114.39 US Avg. |
| #1 Export Sows (+500lbs) | \$79.25 |

Forward contract prices opened mixed this morning. US cash markets started the week sharply higher with most regions reporting another US\$3.00/cwt gain, approaching \$120/cwt. The speed with which the price is moving higher is an indication of how quickly the market is digesting new information. Those participants that are quickest to accept the new reality of the short supply caused by PED, are also those that have benefitted the most from rally. It was only a week ago that futures traders believed the summer highs would be in near the \$120/cwt, but the cash market is already trading at this level. Fundamental indicators remain very bullish, as pork buyers continue to purchase a large volume of product at record prices, packers continue to benefit from excellent margins on the cut-out and appreciating inventory values, while producers are experiencing exceptional operating margins, with only a modest number of operations impacted by PED in Canada. Given how unprecedented the current situation is, nobody knows how consumers will react to the high prices, but given that neither beef or chicken is in abundant supply, most traders are betting we have not found the top yet.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed, with only the front month showing some softness; strength remains in the meal trade. There are thoughts this morning that ideas of an underperforming Chinese economy could be overstated observing retail sales are up ~11% over last year despite the country's recent (understated) bond issues. Overall demand from the US is strong, but there is some talk that participants could be poised for profit taking if fundamental demand data weakens.

Canadian delivered corn prices opened even this morning. US corn futures are trading mixed. Political events in the Ukraine are adding uncertainty; the Russian president has signed a bill that sets up Crimea for outright annexation, but traders appear to be taking a wait and see approach as grains continue to move out of the region. Speculation of US new crop size is just starting to trickle out ahead of the USDA Plantings report on the 31st. The US weather situation is expected to be watched closely and factor more heavily ahead of spring planting.

| Fixed Forward Range | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Maple Leaf Sig. #3 | | 238.32 | 247.96 | 257.60 | 248.14 | 204.58 | 188.82 | 184.72 | 156.07 | 161.68 |
| | | 238.32 | 259.12 | 263.68 | 255.77 | 247.43 | 196.45 | 191.34 | 164.23 | 164.23 |
| Maple Leaf Sig. #4 | | 228.03 | 238.64 | 247.29 | 238.82 | 202.74 | 183.05 | 182.53 | 155.58 | 160.32 |
| | | 228.42 | 251.22 | 253.38 | 246.50 | 239.31 | 197.42 | 185.69 | 166.24 | 164.56 |
| Soymeal Winnipeg Delivered | 590 | 599 | 599 | 599 | 600 | 600 | 600 | | | |
| Corn Winnipeg Delivered | 183 | 186 | | | | | | | | |

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.

h@ms District Meeting Schedule

| Location | Date | Time |
|--|-------------------------|---------------------------|
| Starbuck Community Hall, Starbuck, MB | Thursday March 20, 2014 | 2:00PM - dinner to follow |