



Hog Margin Outlook

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Monday, March 24, 2014

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

US Slaughter	
2.042 mil.	Last Week
2.179 mil.	Last Week (year ago)
W. Corn Belt	\$128.15
National Price	\$119.12
Daily Sig 3	\$262.95
Daily Sig 4	\$236.69
Thunder Creek	\$262.79
4-Month Fwd.	\$243.81
B of C Ex. Rate (Noon)	
\$1.1194 CAD/ \$0.8933 USD	
Cash Prices Week Ending March 21, 2014	
Signature 3	111.96/246.82
Signature 4	101.88/224.60
h@ms Cash	101.20/223.10
Hylife	102.64/226.28
Thunder Creek	103.47/228.10
ISO Weans	\$91.50 US Avg.
Feeder Pigs	\$118.10 US Avg.
#1 Export Sows (+500lbs)	\$79.25

Forward contract prices opened mixed this morning. US cash markets are trading higher this morning, with the Western Corn Belt and the Iowa/S. Minnesota regions leading the gains. Packers in these regions have experienced a gradual tightening of hog supplies over the last three weeks, but continue to see support in their operating margins from wholesale pork prices. All of the primal cuts that make up the pork cut-out are now trading better than \$100/cwt, with the exception of the Picnic primal, currently reported at \$98.38/cwt. Lean Hog futures are expected to see even more volatility this week as the market will largely be focused on Friday's release of the USDA Hogs and Pigs report. The 'Large Speculator' category of the Commitment of Traders report had a net long position of more than 83,000 contracts last week, which could leave the market exposed to a significant drop if these traders start to consolidate their profits. Forward prices are starting the week lower as a result of weakness in the summer month contracts, but the Canadian Dollar is offsetting some of that weakness, as it continues to trade near 5 year lows.

Canadian delivered soymeal prices opened lower this morning. An elevated level of volatility is expected this week ahead of the USDA's Grain Stocks and (the first) Plantings report both scheduled for release next Monday, the 31st. Recorded shipments support strong cumulative export sales numbers showing 34.5 million bu. last week. The fundamental wild card remains Chinese cancellations of Brazil orders; traders do not agree how this development will impact net supply in the US and/or if it is a sign of looming US cancellations.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. The Ukraine situation factors in this morning, but not because of logistical worries. There are rumors Ukraine farmers are poised to sit on stocks of wheat and corn, in part, as a pre-emptive currency hedge as other world leaders discuss imposing sanctions against Russia. There is some evidence that traditional Ukraine customers (Egypt, Spain) are already looking to the US for more secure supplies, adding support.

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			245.03 256.36	254.81 260.99	248.08 255.83	223.45 251.39	206.42 215.19	202.94 209.65	168.60 176.86	174.28 176.86
Maple Leaf Sig. #4		235.29 235.69	235.79 248.55	244.56 250.74	238.74 246.53	221.08 243.13	201.09 215.68	200.22 203.42	167.77 178.57	172.57 176.87
Soymeal Winnipeg Delivered	600	608	608	608	609	609	609			
Corn Winnipeg Delivered	190	192								

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