



Hog Margin Outlook

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Monday, March 31, 2014

Hog Prices: ↓ Soymeal:↔

Corn:↔ CDN Dollar:↓

Forward contract prices opened lower this morning. US cash markets are called to open lower this morning, with industry focus on the results of Friday's Hogs and Pigs report. The quarterly USDA report showed a smaller reduction in hog supplies than most had anticipated, with inventory in the 'Kept for Marketing' category reflecting a 3.7% decline from year ago levels. Industry forecasts consistently over-estimated the impact of PED on hog supplies compared to the USDA's survey, but significant uncertainty remains in the market, as traders are cautious of the survey's results. Given that there was credible estimates of inventory declines greater than 10% compared to last year, the market reaction to the report is decisively lower. All of the summer month Lean Hog futures are trading at or near limit down since the market opened earlier this morning. Hog forward contracting would not be available to producers in a limit down situation until trading resumes at the CME Group.

Canadian delivered soymeal prices opened even this morning. After sustained strength in the soybean market in what some analysts are calling a 4-month 'buying spree', soybeans early today are prone to some uncertainty ahead of today's USDA reports, released at 11:00AM, Central. Early trading showed weakness across all contracts but are now trading mixed (nearby strength, deferred weakness) as of this writing. Acreage estimates range between 78.5 and 83.6 million acres with 80 million acres representing the bear/bull threshold.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. A relative amount of uncertainty looms in the corn market with the pre-report stocks estimate ranging ~700 million bu. The story being watched this morning is corn's drop ahead of the reports, despite managed money showing the highest net long position in almost 4 years, the largest Q1 gain since 2010 and an expectation that corn acres will be shifted to soy. Planting and Grain Stocks reports will both be released at 11:00 AM, Central, today.

Summary of Hogs and Pigs Report

	Estimate	Range	Actual
All Hogs and Pigs	94.6%	92.0% - 97.1%	96.7%
Kept for Breeding	99.4%	98.9% - 100.7%	100.3%
Kept for Marketing	94.1%	91.2% - 96.9%	96.3%

US Slaughter	
2.033 mil.	Last Week
2.187 mil.	Last Week (year ago)
W. Corn Belt	\$128.57
National Price	\$126.70
Daily Sig 3	\$260.74
Daily Sig 4	\$248.82
Thunder Creek	\$261.03
4-Month Fwd.	\$234.73

B of C Ex. Rate (Noon)	
\$1.1064 CAD/ \$0.9038 USD	

Cash Prices Week Ending March 28, 2014	
Signature 3	118.33/260.88
Signature 4	110.31/243.19
h@ms Cash	109.63/241.69
Hylife	110.72/244.10
Thunder Creek	114.22/251.80

ISO Weans	\$88.73 US Avg.
Feeder Pigs	\$127.69 US Avg.
#1 Export Sows (+500lbs)	\$81.50

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			236.47 247.60	246.08 252.15	239.18 246.78	214.74 240.74	199.03 206.63	194.74 201.34	162.29 170.42	167.88 170.42
Maple Leaf Sig. #4			227.52 240.06	235.94 242.02	230.14 237.80	213.15 232.43	193.52 207.85	192.81 195.96	161.98 172.79	167.09 170.73
Soymeal Winnipeg Delivered	613	616	616	616	618	618	618			
Corn Winnipeg Delivered	190	192	194							

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