



Hog Margin Outlook

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Tuesday, April 22, 2014

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

US Slaughter	
273,000	Monday
409,000	Monday (year ago)
W. Corn Belt	\$115.47
National Price	\$117.38
Daily Sig 3	\$233.27
Daily Sig 4	\$229.61
Thunder Creek	\$233.27
4-Month Fwd.	\$228.69
B of C Ex. Rate (Noon) \$1.1021 CAD/ \$0.9073 USD	
Cash Prices Week Ending April 18, 2014	
Signature 3	106.85/235.56
Signature 4	107.87/237.80
h@ms Cash	107.18/236.30
Hylife	106.43/234.63
Thunder Creek	110.72/244.10
ISO Weans	\$80.70 US Avg.
Feeder Pigs	\$136.88 US Avg.
#1 Export Sows (+500lbs)	\$91.75 cwt.

Forward contract prices opened mixed this morning. US cash markets started the week with higher cash bids, bucking the recent trend and moving in the opposite direction of wholesale pork prices. The cash market is down over 10% from its high in late March, fuelled by meat buyers scrambling to secure their requirements amid ideas of a significant shortfall in supply. Packer operating margins, as calculated by subtracting the regional cash bids from the wholesale pork cut-out value, are still in positive territory, but experienced a \$7.00/hog reduction after yesterday's trade. The selloff in Lean Hog futures yesterday shows that there is still significant uncertainty related to the near term supply. Traders continue to watch the cash market for indications of a shift in supply or the willingness of consumers to buy at historically high prices. While seasonality normally has the supply drop about 10% over the next 6 weeks, heavier hog weights will continue to offset some of the reduction with average carcass weights running nearly 4% heavier than year ago levels. Producers looking for price protection in the summer months should consider setting targets at around \$5.00/kg higher than current forward prices, as the market remains volatile.

Canadian delivered soymeal prices opened higher this morning. Extremely tight supply is driving support this morning. There is even talk that supply tightness could factor into availability and some rumors that meal buyers are hedging supply despite the relatively high price. However, there are some factors limiting the upside; there is evidence that Chinese crushers are offsetting cargoes as they are unable to secure credit for their orders, US export inspections came in near the lower end of expectations yesterday and there are more reports of increased imports from Brazil with more rumored to be on the way.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Yesterday's Crop Progress report showed a gain of only 3% to bring April 20 estimates to 6% planted; the market was expecting the report to show as much as 15% completed amid decent weather. There is now talk that more acres could be added to the next planting report as corn hovers around the \$5/bu. mark. However, bearish corn is estimated further out when 2013/14 ending stocks and (potentially) additional 2014/15 acres are factored together.

Fixed Forward Range	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		235.89 240.95	237.41 242.98	234.17 241.77	210.62 233.72	193.89 202.51	190.79 197.39	162.95 171.08	168.54 171.08
Maple Leaf Sig. #4		232.55 234.31	230.39 236.47	227.94 235.60	210.92 228.49	191.29 205.62	190.95 193.90	164.39 175.21	169.50 173.14
Soymeal Winnipeg Delivered	633	635	635	637	637	637			
Corn Winnipeg Delivered	186	188	188						

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