

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

# Hog Margin Outlook

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Friday, May 09, 2014

**Forward contract prices opened mixed this morning.** US cash markets are experiencing weakness with Packer bids choppy, but generally trending lower as the pork cut-out has provided little support over the week. The daily hog slaughter has been larger than anticipated and is only about 2% lower than year ago levels, so with hog weights still averaging close to 3% heavier, pork production for the week is poised to be larger than last year. This contrasts with the common market view represented in the Lean Hog futures observing that the June contract is trading at a \$6.00/cwt. premium over the Lean Hog Index price. Recently, traders have been putting more value on the July and August contracts, an indication that they believe that the summer highs could be pushed later than was previously thought. The deferred month contracts of October and December are only slightly off of their contract highs, suggesting that traders believe that supply reductions due to PED may be with us until the end of the year. Demand related factors like a growing US economy, solid pork export sales and high prices in the competing meats are viewed as supportive.

**Canadian delivered soymeal prices opened lower this morning.**

US soybeans are trading in a mixed and choppy pattern although there is some news that the world market is getting increasing supply from S. American producers adding pressure to the nearby contracts. The market is eagerly awaiting today's WASDE report (released at 12:00PM Eastern). 2013/14 average estimates are ~134 million bu., slightly lower than last month. This is the first time this year for official USDA estimates for the 2014/15 crop; pre-report average estimates are for a ~307 million bu. carryout amid a 200-465 million bu. range.

**Canadian delivered corn prices opened even this morning.** Technical indicators and weather forecasts are supportive. However, there are expectations that US farmers could improve planting progress by as much as 40% as farmers work around the clock in an attempt to beat weather systems over the weekend. Pre-WASDE report average estimates show a 2013/14 corn carryout at 1.314 billion bu. and while the first numbers for 2014/15 are showing an average 1.672 billion bu. the range of estimates spans from a low of 1.295 to a high of 2.354 billion bu. (!) underscoring the current new crop uncertainty.

US Slaughter	
396,000	Wednesday
410,000	Wednesday (year ago)
W. Corn Belt	\$111.62
National Price	\$112.59
Daily Sig 3	\$222.15
Daily Sig 4	\$217.00
Thunder Creek	\$221.99
4-Month Fwd.	\$223.67
<b>B of C Ex. Rate (Noon)</b> \$1.0858 CAD/ \$0.9209 USD	
<b>Cash Prices Week Ending May 09, 2014</b>	
Signature 3	102.25/225.42
Signature 4	98.92/218.09
h@ms Cash	98.24/216.59
Hylife	n/a
Thunder Creek	102.01/224.90
ISO Weans	\$79.74 US Avg.
Feeder Pigs	\$128.82 US Avg.
#1 Export Sows (+500lbs)	\$83.00 cwt.

Fixed Forward Range	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Maple Leaf Sig. #3		231.63 237.12	239.21 246.72	217.47 237.54	200.94 209.45	196.70 203.19	172.05 179.04	176.54 179.04	169.95 169.95	170.45 171.45
Maple Leaf Sig. #4		224.40 230.39	231.83 239.40	216.51 231.19	197.11 211.27	195.60 198.50	171.15 181.78	176.18 179.75	170.19 170.58	171.54 172.32
Soymeal Winnipeg Delivered	622	622	624	624	624					
Corn Wpg. Delivered	188	188	190							

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