



# Hog Margin Outlook

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Monday, June 09, 2014

**Forward contract prices opened mixed this morning.** US cash markets have not yet found traction to move significantly higher, despite last week's slaughter being estimated at 1.93 million hogs, 3.8% lower than year ago levels. While hog slaughter is tighter than year ago levels, total pork production continues to trend above those levels as a result of the significant increase in carcass weights. Carcass weights are averaging 13 lbs. or about 6% heavier than year ago weights and have experienced no seasonal decline so far this summer. Producers and packers are both benefitting from the heavier carcass weights, with space in barns being found, in part, due to the losses from PED. Lean Hog futures continue to offer significant premiums over the current cash price, with the market apparently focused on the hog death loss as opposed to the carcass weight gain. Producers should consider adding price protection to their summer month production, as it is possible total pork production may not decline to the degree previously thought.

**Canadian delivered soymeal prices opened lower this morning.** Counter to what one would expect during a condition of tight ending stocks and sustained demand, the trade is coming under pressure, mostly from activity by 'managed money'. The funds have cut their net long positions by 14,000 contracts in oil and 24,000 contracts in beans to the lowest levels in seven months. What's more, there is talk that some are increasing their short positions as well adding pressure to the complex. Expected new crop conditions around 70% good/excellent and strong palm oil production is also adding pressure.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower. Activity by the funds, a favourable weather outlook as related to emergence, and expectations that crop conditions will come in around 78%-80% good/excellent this afternoon are all weighing on the corn market. As well, there is an expectation that ending stocks for 2014/15 will be raised 24 million bu. to 1.170 billion bu. in Wednesday's WASDE report, adding pressure to the new crop trade.

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

US Slaughter	
1.930 mil.	Last Week
2.006 mil.	Last Week (year ago)
W. Corn Belt	\$109.50
National Price	\$110.04
Daily Sig 3	\$219.50
Daily Sig 4	\$213.61
Thunder Creek	\$220.33
4-Month Fwd.	\$221.08
<b>B of C Ex. Rate (Noon)</b> \$1.0936 CAD/ \$0.9144 USD	
<b>Cash Prices Week Ending June 6, 2014</b>	
Signature 3	98.77/217.75
Signature 4	96.16/212.00
h@ms Cash	95.48/210.50
Hylife	95.45/210.44
Thunder Creek	97.39/214.70
ISO Weans	\$70.77 US Avg.
Feeder Pigs	\$110.37 US Avg.
#1 Export Sows (+500lbs)	\$70.00

Fixed Forward Range	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Maple Leaf Sig. #3		242.84 245.34	225.65 252.42	209.11 217.63	206.24 212.77	174.00 182.04	179.53 182.04	170.84 170.84	166.30 172.35	166.30 167.81
Maple Leaf Sig. #4		234.77 237.48	223.86 244.63	204.44 218.61	204.29 207.21	173.46 184.17	178.52 182.13	170.71 171.10	166.70 172.86	166.70 167.68
Soymeal Winnipeg Delivered	627	628	628	628						
Corn Wpg. Delivered	179	179								

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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