

# Hog Margin Outlook

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Friday, June 20, 2014

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

| <b>US Slaughter</b>  |                        |
|--|------------------------|
| 371,000  | Thursday               |
| 399,000  | Thursday<br>(year ago) |
| W. Corn Belt   | \$119.59               |
| National Price   | \$117.07               |
| Daily Sig 3  | \$237.36               |
| Daily Sig 4  | \$225.00               |
| Thunder Creek  | \$237.30               |
| 4-Month Fwd.   | \$218.32               |
| <b>B of C Ex. Rate (Noon)</b><br>\$1.0828 CAD / \$0.9235 USD |                        |
| <b>Cash Prices Week Ending<br/>June 20, 2014</b>             |                        |
| Signature 3  | 106.54/234.88          |
| Signature 4  | 100.66/221.91          |
| h@ms Cash  | 99.98/220.41           |
| Hylife   | n/a                    |
| Thunder Creek  | 104.19/229.70          |
| ISO Weans  | \$74.18 US Avg.        |
| Feeder Pigs  | \$112.23 US Avg.       |
| #1 Export Sows (+500lbs)                                     | \$77.00/cwt. tagged    |

**Forward contract prices opened lower this morning.** US cash markets rallied throughout the week and are finishing strong. Higher wholesale pork prices, with the pork cut-out gaining about \$2.00/cwt yesterday, have packers profitable and optimistic about future sales, which in turn led them to increase cash bids. This week's estimated slaughter of 1.9 million hogs is not representative of the available supply, as Smithfield's Tar Heel plant was down for several days due to a cooling system problem. Lean Hog futures rallied sharply in yesterday's trade, with all contracts experiencing gains again this morning. The August contract is trading at premium to the current cash index that is 5 times the normal premium seen at this time of year, representing the market's expectation that the hog supply will be at its tightest in mid to late August. The Canadian Dollar has made a significant move higher over the last two days and is now trading at its highest level since early January. The latest inflation and retail sales data suggests that Canada's economic growth may be picking up. Producers who are considering taking price protection in the last half of this year should view current summer prices as good value, but might consider setting more aggressive price targets for the fall and winter months.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower despite 'historical' tightness in old crop supplies, evidence of sustained demand and some regional flooding issues. Thoughts are that the recent downturn was in part a function of a technically driven long liquidation witnessed over the course of the week; options contracts expire today and could influence more 'technical' activity. Producers will notice that new crop soymeal offers were posted at a discount relative to spots this week for the first time this season.

**Canadian delivered corn prices opened even this morning.** Like soybeans, today marks options expiry and traders are positioning themselves accordingly with the likelihood of a choppy trade to finish the week. Fundamentally, the picture remains mixed with the weather influencing both sides; for much of the crop, reports of waist-high corn and the looming pollination phase are pressuring. However localized concerns of pooling (and perhaps even flooding) are supportive. Export signals are mixed with China's demand expectations currently uncertain. Ethanol demand numbers were supportive this week.

| Fixed Forward Range           | Jun | Jul              | Aug              | Sep              | Oct              | Nov              | Dec              | Jan              | Feb              | Mar              | Apr    |
|-------------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------|
| Maple Leaf<br>Sig. #3         |     | 244.37<br>245.86 | 229.90<br>248.88 | 210.63<br>221.01 | 205.61<br>214.03 | 175.60<br>187.49 | 177.09<br>183.53 | 172.30<br>172.30 | 164.95<br>173.78 | 164.95<br>166.44 | 167.32 |
| Maple Leaf<br>Sig. #4         |     | 236.45<br>238.94 | 227.61<br>241.87 | 205.98<br>221.48 | 203.71<br>208.51 | 174.46<br>188.46 | 179.26<br>182.90 | 171.46<br>171.84 | 164.92<br>173.76 | 164.73<br>165.69 | 166.07 |
| Soymeal<br>Winnipeg Delivered | 577 | 573              | 573              | 573              |                  |                  |                  |                  |                  |                  |        |
| Corn Wpg. Delivered           | 179 | 183              |                  |                  |                  |                  |                  |                  |                  |                  |        |

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WINNIPEG LIVESTOCK  
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