

# Hog Margin Outlook

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Monday, June 30, 2014

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

<b>US Slaughter</b>	
1.910 mil.	Last Week
2.019 mil.	Last Week (year ago)
W. Corn Belt	\$124.74
National Price	\$124.33
Daily Sig 3	\$244.11
Daily Sig 4	\$235.60
Thunder Creek	\$244.32
4-Month Fwd.	\$217.92
<b>B of C Ex. Rate (Noon)</b>	
\$1.0676 CAD / \$0.9367 USD	
<b>Cash Prices Week Ending June 27, 2014</b>	
Signature 3	111.37/245.53
Signature 4	104.10/229.50
h@ms Cash	103.42/228.00
Hylife	103.77/228.78
Thunder Creek	107.37/236.70
ISO Weans	\$75.87 US Avg.
Feeder Pigs	\$110.18 US Avg.
#1 Export Sows (+500lbs)	
\$71.00/cwt. tagged	

**Forward contract prices opened higher this morning.** US cash markets are trading steady to higher, with focus of the trade on the futures market reaction to Friday's USDA Hogs and Pigs report. Last week's slaughter came in at an estimated 1.91 million head, steady with the previous week, but approximately 5% lower than year ago levels. This is fairly consistent with the USDA's survey that was taken close to a month ago, showing the heaviest category (representing animals that have been delivered over the last month) at 4% lower than year ago levels. Where traders/analysts largely missed the mark was on the lighter weight categories (representing hogs coming to market in October-December). Going into Friday's report, the average industry estimate (as reported by Urner Barry) was that the under 50 lb. category would be 98.1% of year ago levels and USDA reported this category as 94.1%, a 4% discrepancy! This 'surprise' explains why the October, December and February futures are locked limit up this morning, and will likely see another day of huge gains tomorrow. Producers looking to take advantage of this news should consider setting targets \$5-\$10/ckg higher than current prices.

	'14 as % of '13	Pre-Report Est.	Actual minus Est.
All Hogs and Pigs	95.9	97.0	-1.1
Kept for Breeding	99.4	101.6	-2.2
Kept for Marketing	95.5	96.6	-1.1
< 50 lbs.	94.1	98.1	-4.0
50-119 lbs	94.1	96.3	-2.2
120-179 lbs.	96.1	95.3	+0.8
180+ lbs.	96.2	96.4	-0.2

Source: Meyer and Steiner, Daily Livestock Report, Urner Barry

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading higher. Rumors of bullish surprises are starting to surface ahead of today's report-rich Monday. Grains and oilseeds will see three reports released (Acreage (noon), Grain Stocks (noon) and Crop Progress (4PM), all times Eastern) with the Acreage report expected to hold most influence over market direction. Talk of support follows weeks of 'ideal' planting and early development weather. Between 80.5 million and 84 million acres are expected in today's report released after trading.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower. Unlike the soybean crop, pressure remains as potential losses due to (the mostly localized) excessive moisture are not expected to offset the good start. The Acreage report is highly anticipated because modelling will now be ramped up using a variety of projected yield and demand scenarios. Currently estimates range between 91.0 and 92.2 million acres. As a result of reports from seed companies, there is talk of potentially more than expected soybeans and less than expected corn.

Fixed Forward Range	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		235.09 251.05	215.99 226.27	211.30 219.65	177.30 189.09	178.77 185.16	169.78 169.78	169.19 171.26	169.19 170.67	171.56 174.52
Maple Leaf Sig. #4		231.83 243.40	210.39 225.75	208.42 213.18	175.49 189.39	181.20 183.87	168.41 168.79	168.41 170.70	168.22 169.17	168.62 171.29
Soymeal Winnipeg Delivered	602	602	602							
Corn Wpg. Delivered	181									

STRENGTH IN NUMBERS