



# Hog Margin Outlook

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Thursday, July 03, 2014

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

US Slaughter	
411,000	Wednesday
423,000	Wednesday (year ago)
W. Corn Belt	\$128.65
National Price	\$126.03
Daily Sig 3	\$251.54
Daily Sig 4	\$238.62
Thunder Creek	\$250.98
4-Month Fwd.	\$215.94
<b>B of C Ex. Rate (Noon)</b>	
\$1.0667 CAD/ \$0.9375 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)	\$75.00/cwt. tagged

**Forward contract prices opened higher this morning.** US cash markets rebounded about \$2.00/cwt yesterday after weakness experienced earlier in the week. Packer bids were well supported yesterday with pork cut-out rallying close to the highest level seen since late March (the all-time record high). Weekly pork production continues to run near year ago levels with hog numbers running about 3% lower than year ago, but this deficit is being made up by heavier carcass weights. The premium that the futures hold to the cash market is rationalized by ideas that hog numbers and weights will decline even further, forcing packers (and wholesalers) to compete for the scarce supply. By all measures, demand has been strong for all meat and more specifically pork, with a growing US economy, stronger employment and high priced competing meats. These factors will probably lead us to new record prices in the months ahead, as suppliers attempt to keep pace with the strong price signals they are receiving. Forward contracting will close at 11:30 today, as Lean Hog futures have reduced hours ahead of tomorrow's U.S. Independence Day holiday.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading mixed. New crop is expected to be under pressure on thoughts of improving weather and the influence of the bearish planting (acreage) report. Unlike their Canadian counterparts, US producers have not had to fare with extremely wet weather to the same degree and the forecast is looking positive for yields. In fact, a preliminary estimate using a 2.2% increase in yield could amount to a 575 million bu. carryout compared to the 125 million bu. this year, or put another way, ~4.5x larger than current estimates.

**Canadian delivered corn prices opened even this morning.** Pressure continues for the corn trade amid decent weather forecasts and continued optimism for expected yields. Losses due to recent rain are expected to be minimal and generally confined to the northern states. Trade volume is expected to be light ahead of the US long weekend. A report by the UN FAO estimates global ending stocks for cereal grains to be the highest in 12 years, adding pressure across new crop commodities overall. Resistance level for corn is pegged at \$4.04 USD/bu., compared to the \$5.00 'benchmark' talked about as early as last month.

Fixed Forward Range	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		238.27 246.98	219.18 229.46	214.23 222.57	182.74 194.51	184.21 190.59	176.66 176.66	173.71 178.14	173.71 175.19	176.23 179.19
Maple Leaf Sig. #4		234.33 239.45	213.48 228.26	210.68 215.43	180.19 194.06	184.94 188.55	175.07 175.45	172.79 177.36	172.79 173.55	173.14 175.81
Soymeal Winnipeg Delivered	575	575	575							
Corn Wpg. Delivered	177									

STRENGTH IN NUMBERS



## IMPORTANT NOTICES

**Markets are closed one hour early today (July 3).  
 Markets are closed Friday, July 4.  
 There is no Forward Contracting when markets are closed  
 and no HMO tomorrow as a result.**

