



Hog Margin Outlook

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Thursday, July 10, 2014

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

US Slaughter	
397,000	Wednesday
407,000	Wednesday (year ago)
W. Corn Belt	\$132.04
National Price	\$128.86
Daily Sig 3	\$257.76
Daily Sig 4	\$243.60
Thunder Creek	\$257.91
4-Month Fwd.	\$211.53
B of C Ex. Rate (Noon)	
\$1.0650 CAD/ \$0.9389 USD	
Cash Prices Week Ending July 4, 2014	
Signature 3	111.82/246.52
Signature 4	107.61/237.23
h@ms Cash	106.93/235.73
Hylife	107.04/235.98
Thunder Creek	111.63/246.10
ISO Weans	\$76.60 US Avg.
Feeder Pigs	\$115.83 US Avg.
#1 Export Sows (+500lbs)	\$75.50/cwt. tagged

Forward contract prices opened lower this morning. US cash markets are called steady to higher following the recent strength in cash markets, a function of the on-going competition for hogs amid supply uncertainty to meet production requirements. Interestingly, Tuesday's slaughter was actually higher than year ago levels; however, we returned to a lower than year-ago slaughter levels for Wednesday's kill. ISM and WCB reporting regions produced bids approximately \$2 USD/cwt. higher and the National reported a \$0.84 USD/cwt. gain. Lean hog futures are trading in a choppy pattern, reflecting a volatility found outside normal post-July 4 activity. Following some recent strength, the markets showed weakness yesterday, losing most of the gains made last week with the exception of the February and April contracts that were higher at closing. The nearby trade briefly recovered about half those losses but turned lower in the overnight trade with all offered contracts trading lower as of this writing. As with the cash market, supply uncertainty is the prevailing influence but there is some talk that the funds could be influential (observing the recent turnaround lower), possibly profit taking or repositioning, and potentially prompting further volatility as we move forward.

Canadian delivered soybean prices opened lower this morning. The soybean complex continues its bearish run, after seeing a 12% drop in bean prices over the last two weeks. As is typical for this time of year, the market is focused almost exclusively on growing conditions which have a huge influence on the available supply for the next 12 months. With analysts suggesting that 2014/15 ending stocks could grow by 30% over this year's, the downtrend has the potential to continue for another 2 months until harvest. Soybean meal prices are now running about 10% lower than this time last year, and have the potential to drop another 10% over the next few months should current yield estimates come to fruition.

Canadian delivered corn prices opened even this morning. The corn market continues to move lower as traders continue to factor in ideal growing conditions through large portions of the Midwest. The crop will be entering the pollination phase of development, the most critical in determining yields, resulting in traders watching temperatures over the next 3 weeks. Heat stress is less of a concern when it is not accompanied by drought and this year's adequate, if not abundant soil moisture is available throughout the major corn growing areas. Tomorrow's release of the WASDE report should help narrow trade expectations of average yield, possibly near 170 bushels/acre.

Fixed Forward Range	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		232.09 240.57	213.00 223.28	208.10 216.44	185.88 197.66	187.35 193.73	180.31 180.31	174.95 181.78	174.95 176.42	177.27 180.22
Maple Leaf Sig. #4		227.78 233.24	206.35 221.71	204.18 208.93	182.47 196.35	187.22 190.84	177.64 178.02	173.03 179.93	172.84 173.79	173.19 175.85
Soymeal Winnipeg Delivered	558	558	558							
Corn Wpg. Delivered	177									

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