



Hog Margin Outlook

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Wednesday, July 16, 2014

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

US Slaughter	
397,000	Tuesday
403,000	Tuesday (year ago)
W. Corn Belt	\$131.80
National Price	\$131.44
Daily Sig 3	\$260.10
Daily Sig 4	\$251.17
Thunder Creek	\$260.26
4-Month Fwd.	\$211.95
B of C Ex. Rate (Noon)	
\$1.0766 CAD/ \$0.9288 USD	
Cash Prices Week Ending July 11, 2014	
Signature 3	115.68/255.02
Signature 4	110.10/242.72
h@ms Cash	109.42/241.22
Hylife	109.46/241.31
Thunder Creek	112.04/247.00
ISO Weans	\$75.55 US Avg.
Feeder Pigs	\$119.13 US Avg.
#1 Export Sows (+500lbs)	\$76.50/cwt. tagged

Forward contract prices opened lower this morning. US packers were cautious of adding to their cash bids Tuesday, knowing that with the tight supply it could impact their operating margins. Packers have chosen to cut hours from Friday's production (40% lower) as opposed to run under capacity for the rest of the week, with the weekly slaughter expected to run 8-9% lower than year ago levels. Carcass weights continue to buck the normal summer trend, maintaining an average weight of 215 lbs., or 12 lbs. heavier than year ago levels. While tight supplies have been the major focus of the market, it is evident that prices have benefitted from an improvement in demand due to improvements in US employment and higher priced competing meats. Wholesale pork prices are running 30% higher than year ago levels while year-to-date pork production is down only about 1%. Futures traders have been cautious not to overshoot the cash market, resulting in the fall and winter months trading at a slightly larger discount than is typically seen at this time of year.

Canadian delivered soymeal prices opened higher this morning. At this stage in the growing season, the weather remains a primary market mover and with calls for +/- 100°F (37.8°C) temperatures from some models heading into next week, there is talk the weather premium has been removed prematurely. This weather news and some mixed demand data are providing a buy rationale following lows to the nearby contract not seen in ~2 years. However, the general consensus is that the heat will not contribute to widespread damage and that today's bounce is will not materialize into a sustained rally.

Canadian delivered corn prices opened even this morning. Like soybeans, there are thoughts that the corn trade has taken out the weather premium too early and also that the trade is oversold. There are rumors that some localized (N. Dakota) fall bids in the US interior are only offering in the high \$2 USD/bu. range (!) which is viewed by some as an over-reaction in part due to positive yield expectations on good weather and unexpectedly higher supplies. Nonetheless, despite the short covering and market correction today, a bearish weather forecast is somewhat supporting anticipated 170 bpa yield estimates...for now.

Fixed Forward Range	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		236.71 248.43	220.41 228.81	215.48 223.90	188.50 198.41	189.99 196.43	185.39 185.39	180.93 186.88	180.93 182.42	182.80 187.75
Maple Leaf Sig. #4		233.43 241.43	214.30 228.27	212.31 216.92	185.03 198.08	189.83 193.47	182.60 182.98	178.86 184.90	178.86 179.62	178.55 183.54
Soymeal Winnipeg Delivered	534	534	536	450	448	448				
Corn Wpg. Delivered	177									

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WINNIPEG LIVESTOCK
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