



Hog Margin Outlook

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Thursday, July 17, 2014

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

US Slaughter	
395,000	Wednesday
406,000	Wednesday (year ago)
W. Corn Belt	\$130.41
National Price	\$131.24
Daily Sig 3	\$256.97
Daily Sig 4	\$250.42
Thunder Creek	\$256.51
4-Month Fwd.	\$210.00

B of C Ex. Rate (Noon)
 \$1.0750 CAD/ \$0.9302USD

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 took back some of the extra cash that they have been putting up to purchase their live supplies, but bids across all of the USDA reporting regions remain around \$130/cwt. However, wholesale pork prices have rallied to new highs which has resulted in marked improvements in packers' operating margins. Primal loins and hams have made the biggest contribution to pork prices, both gaining about \$40/cwt. over the last two months. Strong export sales volumes from Mexico, Korea and Japan are making a significant impact on domestic hog prices in spite of the record high prices that buyers have been paying. In the nearby futures months, funds have been active sellers, crystalizing the gains their bullish positions have realized in the last 4 months. Technical indicators have been bearish over the last few weeks which has contributed to the sell-off, with Friday's Commitment of Traders report providing information on how much they have reduced their net long position. However, fundamental indicators remain supportive for the next 3 months as most traders believe the hog supply will be at its tightest in the middle of this timeframe.

Canadian delivered soymeal prices opened higher this morning. The trade is called choppy today with a lower early AM trade but with support returning as of this writing. Positive export data and rumors of short covering (and position exit) on the heels of talk of an oversold market are supportive. However, pressure following from current planting estimates and expected fundamental data is proving to challenge supportive news. There is still a way to go in distinctly calling trade direction though, as pod counts only start to take shape in August, an important factor in estimating yield.

Canadian delivered corn prices opened higher this morning. US corn futures are trading mixed. The market started off lower but is now posting gains of \$0.02 USD/bu. in the front months; however, nearby US corn is trading around \$3.80, a level last seen in July/August 2010. As with soybeans, there is talk the market is oversold. As such, any news considered remotely bullish is enough to entice some support. Nonetheless, there is a general consensus that the weather will be ideal for the imminent pollination phase, keeping any upside in check.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		234.11 246.73	217.83 226.22	212.89 221.29	187.28 197.17	188.77 195.19	185.03 185.03	179.45 186.52	179.45 180.93	181.82 186.78
Maple Leaf Sig. #4		230.91 239.79	211.80 225.75	209.79 214.39	183.85 196.87	188.64 192.27	182.25 182.63	177.42 184.55	177.42 178.18	177.61 182.61
Soymeal Winnipeg Delivered	542	542	544	459	458	458				
Corn Wpg. Delivered	182									

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