



# Hog Margin Outlook

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Friday, July 18, 2014

Hog Prices: ↓ Soymeal: ↓

Corn: ↔ CDN Dollar: ↓

US Slaughter	
395,000	Thursday
406,000	Thursday (year ago)
W. Corn Belt	\$127.85
National Price	\$131.35
Daily Sig 3	\$252.00
Daily Sig 4	\$250.70
Thunder Creek	\$251.47
4-Month Fwd.	\$208.44
<b>B of C Ex. Rate (Noon)</b> \$1.0753 CAD/ \$0.9299 USD	
<b>Cash Prices Week Ending July 18, 2014</b>	
Signature 3	116.82/257.55
Signature 4	113.10/249.33
h@ms Cash	112.41/247.83
Hylife	n/a
Thunder Creek	115.94/255.60
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 cash markets are finishing the week lower than where they started as packers have cut cash bids in an effort to return to positive operating margins. This action, combined with a rally in wholesale pork prices has resulted in a significant improvement to packer margins, currently estimated at better than \$20/hog and near its highest levels in months. However, there are still incentives for packers to outbid their competitors as supplies remain tighter than anticipated and pork prices continue to push into new all-time highs. August Lean Hog futures moved sharply lower yesterday, with the trade dominated by funds selling out of their profitable long positions. Currently the August and October contracts are trading at a discount to the cash index by approximately \$6.00/cwt and \$20.00/cwt respectively, which are the biggest discounts seen at this time of year for the last 10 years. This price relationship is not easily reconciled against the forecasted supply which most believe will be tighter in the coming months.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower to finish off a choppy week. The weather maintains its bearish influence over the market and some major international banks are weighing in on the potential US ending stocks situation. Private estimates have come in at between 464 and 484 million bu., higher than the USDA's current 415 million estimate for 2014/15. One analyst has gone so far as to state planted acreage should make up for any loss due to weather disruptions. Nonetheless, there is still some uncertainty ahead as August is the critical month for pod development.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower. Even more so than soybeans, the weather has been pressuring the market. Initial forecasts showing heat into the 100s have since been revised to more moderate temperatures, improving already excellent growing conditions. In other news, an Argentine port strike has been temporarily resolved adding pressure. With ~14% of the world's exports, the Ukraine is still logistically operational although some support came to the deferred market yesterday on increasing political tension in the region.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		232.18 242.13	215.93 224.30	211.03 219.43	187.10 196.98	188.58 195.00	186.02 186.02	180.24 187.51	180.24 181.73	182.89 187.86
Maple Leaf Sig. #4		229.03 235.33	209.96 223.88	207.99 212.58	183.67 196.67	188.45 192.08	183.21 183.59	178.18 185.51	177.99 178.95	178.65 183.65
Soymeal Winnipeg Delivered	532	532	534	454	452	452				
Corn Wpg. Delivered	182									

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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