



Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, July 22, 2014

Hog Prices: ↓ Soymeal: ↓

Corn: ↔ CDN Dollar: ↓

| US Slaughter | |
|--|----------------------|
| 372,000 | Monday |
| 395,000 | Monday (year ago) |
| W. Corn Belt | \$127.43 |
| National Price | \$129.16 |
| Daily Sig 3 | \$250.79 |
| Daily Sig 4 | \$246.15 |
| Thunder Creek | \$250.67 |
| 4-Month Fwd. | \$202.73 |
| B of C Ex. Rate (Noon) | |
| \$1.0737CAD/ \$0.9313USD | |
| Cash Prices Week Ending July 18, 2014 | |
| Signature 3 | 116.82/257.55 |
| Signature 4 | 113.10/249.33 |
| h@ms Cash | 112.41/247.83 |
| Hylife | 112.30/247.57 |
| Thunder Creek | 115.94/255.60 |
| ISO Weans | \$77.77 US Avg. |
| Feeder Pigs | \$118.90 US Avg. |
| #1 Export Sows (+500lbs) | \$76.00/cwt. tagged |

Forward contract prices opened lower this morning. US cash markets started the week steady with packers in all regions content to maintain their bids near the same level as Friday's close. The available supply of live hogs continues to run at a deficit to year ago levels by about 9%, the biggest one year difference experience in 15 years. Producers are making up some of the short supply by feeding their hogs to a heavier carcass weight, resulting in a deficit in pork production of only 4% from year ago levels. While wholesale pork prices dropped sharply yesterday, packers are still benefitting from profitable gross margins, estimated around \$15/hog. Lean Hog futures remain under pressure, with the nearby contracts having lost about 3-4% of their value over the last week. It is difficult to explain the recent weakness, as the August contract is already trading at a record large discount to the cash market, despite expectations of continued tightness in the hog supply. The market is no longer experiencing significant fund selling, as the most recent Commitment of Traders report showed that they increased their net long position.

Canadian delivered soymeal prices opened lower this morning. Grain markets continue to react to the ideal growing conditions that have dominated the market fundamentals for the last 2 months. Yesterday, the USDA reported that the condition of the US soybean crop improved further and now represents the best crop of any at this stage of development over the last 15 years. Upside potential in soybean meal prices appears severely limited in the near term by the favourable weather and excellent growing conditions.

Canadian delivered corn prices opened even this morning. Corn prices dropped to the lowest level in 4 years, after yesterday's release of the crop conditions report. The USDA rated the Corn crop as 76% Good/Excellent, among the best ever reported over the last 15 years. Some analysts are starting to consider the possibility of average yields approaching 180 bushels/acre, which would result in a bin-busting 15 billion bushels of production.

| Fixed Forward Range (at opening) | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
|----------------------------------|-----|--------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 229.91 | 213.65 222.03 | 208.61 217.00 | 188.01 197.88 | 189.49 195.91 | 187.11 187.11 | 179.79 188.60 | 179.79 181.27 | 182.06 187.02 |
| Maple Leaf Sig. #4 | | 226.84 | 207.75 221.68 | 205.64 210.23 | 184.55 197.55 | 189.33 192.96 | 184.26 184.64 | 177.74 186.56 | 177.55 178.51 | 177.84 182.83 |
| Soymeal Winnipeg Delivered | 533 | 533 | 536 | 442 | 439 | 439 | | | | |
| Corn Wpg. Delivered | 182 | | | | | | | | | |

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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