



Hog Margin Outlook

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Monday, July 28, 2014

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

US Slaughter	
1.862 mil.	Last Week
1.990 mil.	Last Week (year ago)
W. Corn Belt	\$125.40
National Price	\$127.80
Daily Sig 3	\$248.57
Daily Sig 4	\$245.31
Thunder Creek	\$248.33
4-Month Fwd.	\$195.50
B of C Ex. Rate (Noon)	
\$1.0814 CAD/ \$0.9247 USD	
Cash Prices Week Ending July 25, 2014	
Signature 3	112.92/248.95
Signature 4	111.93/246.75
h@ms Cash	111.24/245.25
Hylife	110.45/243.49
Thunder Creek	116.12/256.00
ISO Weans	\$79.09 US Avg.
Feeder Pigs	\$117.97 US Avg.
#1 Export Sows (+500lbs)	\$76.00/cwt. tagged

Forward contract prices opened higher this morning. US cash markets are expected to start the week slightly lower as last week's slaughter revealed a slight increase in supply from recent weeks, but still down more than 6.5% from year ago levels. Given that the previous 2 weeks have averaged close to 9% fewer animals, traders may view this as a bearish signal. However by most analysts' estimates, weekly slaughter is still expected to shrink to more than 12% below year ago levels in the upcoming weeks. Last week, Lean Hog futures fell by \$6-\$8/cwt, responding to the weaker cash market fundamentals and influenced by some fund selling. The Commitment of Traders report showed that Funds were on a selling trend last week, with the size of their net long position shrinking. This week's trade is starting slightly higher, with the cash hog market and cattle prices being the primary factors that are influencing trade. The Canadian Dollar is having a modestly positive impact on Canadian hog prices, with the Loonie trading at the lowest level in more than a month at US\$0.9620.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher, starting the week with some support following pressure that pushed prices last week to lows not seen since 2010. While the weather forecast remains relatively good for crop yields (pressuring prices), some calls for a drier Midwest are supporting the trade. There is talk of looming old and new crop demand which is also supportive this morning. There is evidence that soymeal sales are at a record in part as a result of current price levels adding support.

Canadian delivered corn prices opened lower this morning. US corn futures are trading higher. Support comes on thoughts that traders are maintaining a strategy of short covering that started on Friday and carrying into this week. As well, there is talk that US customers are buying at current prices, considered to be a relative bargain also adding support. To be sure, the trade is well under the 'new' benchmark of \$4 USD/bu. with many in the trade looking for the bottom. The Crop Progress report will be released today at 4:00 PM, after trading.

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		222.25	205.88 214.31	200.91 209.36	178.84 188.78	180.33 186.79	176.62 176.62	174.42 178.11	174.42 175.92	176.80 181.79
Maple Leaf Sig. #4		220.21	201.00 215.02	198.98 203.60	176.65 189.74	181.46 185.12	174.89 175.27	172.96 177.01	172.77 173.73	173.14 178.17
Soymeal Winnipeg Delivered	555	555	557	455	451	451				
Corn Wpg. Delivered	157	157	170							

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STRENGTH IN NUMBERS



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