



# Hog Margin Outlook

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Wednesday, July 30, 2014

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

**Forward contract prices opened mixed this morning.** US cash markets traded near steady yesterday, with packers having little difficulty meeting their reduced slaughter requirements so far this week. There is some evidence that carcass weights are dropping, reflecting a trend that producers are becoming more 'current' with their marketings. Average weights have slipped under 214 lbs. in most regions as producers choose to pull hogs ahead to avoid lower prices in the context of the recent bearish trend. However, packers appear to be having difficulty filling Friday's schedule, which could lead to some support in the cash market later this week. Lean Hog futures are trading slightly higher this morning, with the huge discount that the October and December contracts are trading to the cash market acting as support. Currently, October is valued US\$23/cwt. lower than the current cash market, a discount that is nearly three times larger than is typically seen at this time of year. This is difficult to reconcile with the market information that we have, as the impact of PEDv on the hog supply is likely to leave us with an even larger deficit in supply than what we have seen so far this summer.

**Canadian delivered soymeal prices opened mixed this morning.** US soybean futures are trading lower. Soybeans are expected to benefit from the rain forecast for next week. Drier weather this week has been keeping the downside in check, but despite some hiccups further south (e.g. dry in Missouri), US weather remains largely ideal. In other news, there is talk of eminently increased selling from S. American producers and rumors that Brazil's soybean acreage could increase amid shrinking (and negative) profitability in corn production, adding pressure.

**Canadian delivered corn prices opened even this morning.** US corn futures look to remain under pressure this week on most fundamental and trading indicators. US weather is a bit dry, but forecast rain should offer some timely relief, and temperatures to this point have not been a negative factor; demand remains relatively soft. Despite the unrest, there are private reports that Ukraine is on pace to exceed last year's production by 4%. While there has been some concern regarding optimistic yield estimates in the US, there is still evidence of long liquidation and increasing short positions among the funds.

US Slaughter	
400,000	Tuesday
411,000	Tuesday (year ago)
W. Corn Belt	\$121.97
National Price	\$126.54
Daily Sig 3	\$242.60
Daily Sig 4	\$243.72
Thunder Creek	\$242.19
4-Month Fwd.	\$194.35
<b>B of C Ex. Rate (Noon)</b>	
\$1.0851 CAD/ \$0.9215 USD	
<b>Cash Prices Week Ending July 25, 2014</b>	
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)	\$81.50/cwt. tagged

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		221.86	205.36 213.86	200.25 208.77	176.80 186.82	178.30 184.81	173.81 173.81	171.32 175.30	171.32 172.81	174.18 179.19
Maple Leaf Sig. #4		219.88	200.51 214.65	198.38 203.04	174.70 187.90	179.55 183.24	172.17 172.55	169.95 174.29	169.76 170.72	170.61 175.65
Soymeal Winnipeg Delivered	546	546	546	451	448	448	444	444	438	
Corn Wpg. Delivered	157	157	170							

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STRENGTH IN NUMBERS



**Important Message**

h@ms Marketing Services will be closed on Monday August 4th for the Civic Holiday. Normal business operations resume on Tuesday.

