

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

# Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, August 07, 2014

**Forward contract prices opened lower this morning.** US packers are expected to keep their bids steady to lower this morning, following a three week long trend of lower cash prices that has resulted in nearly \$20/cwt removed from the market. While weekly slaughters have averaged more than 8% lower over the last month, heavy carcass weights have offset most of this deficit resulting in a drop in pork production of less than 4%. Cash prices are still trading better than 25% higher than year ago levels despite the recent weakness, with high beef prices and strong exports supporting the market. The latest US pork export sales data is being released later today, which should reflect good sales volumes at excellent prices. Yesterday, Russia announced a new ban on imported food products from Canada, US, EU and Australia in response to the sanctions that have been placed on Russia due to the conflict in the Ukraine. Pork exports to Russia were already constrained over the last few years due to their ban against the feed additive Ractopamine, but any limits to exports may have a bearish impact on the futures market.

**Canadian delivered soymeal prices opened higher this morning.** For the most part, 1-3 forecast inches of rain is having a pressuring effect on the trade. However, the market is seeing support at \$10.60 USD/bu. for November. To put this into perspective, November was trading between \$11.86 and \$12.41 USD/bu. this time last year. Pre-WASDE report estimates are trickling out with traders estimating an average 45.6 bpa in yield, 3.823 billion bu. in new crop production, a relatively tight 140 million in old crop ending stocks, and 2014/15 carryout at 414 million bu. The WASDE report will be released next week on August 12.

**Canadian delivered corn prices opened mixed this morning.** Increasing tensions between Russia and the Ukraine are influencing a choppy trade following a recently announced Russian agriculture ban for most of 'the West'. However, grains to this point appear unaffected and Russia is not a huge importer of US corn. Nonetheless, a jittery tone has been set this morning. Pre-WASDE numbers show a range of 168-174.8 bpa in yields, old crop carryout at 1.240 billion bu. and new crop estimates coming in at 2+ billion bu. Traders are calling for low volumes and a bearish tone ahead of next week's report.

US Slaughter	
405,000	Wednesday
421,000	Wednesday (year ago)
W. Corn Belt	\$116.15
National Price	\$121.30
Daily Sig 3	\$232.62
Daily Sig 4	\$235.24
Thunder Creek	\$232.10
4-Month Fwd.	\$188.11
<b>B of C Ex. Rate (Noon)</b>	
\$1.0926 CAD/ \$0.9152 USD	
<b>Cash Prices Week Ending August 1, 2014</b>	
Signature 3	110.43/243.45
Signature 4	110.25/243.05
h@ms Cash	109.57/241.55
Hylife	108.87/240.01
Thunder Creek	112.58/248.20
ISO Weans	\$73.34 US Avg.
Feeder Pigs	\$113.20 US Avg.
#1 Export Sows (+500lbs)	

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		193.76 202.27	188.67 197.20	169.20 179.24	170.71 177.23	168.45 168.45	165.84 169.96	165.84 167.34	168.62 173.67
Maple Leaf Sig. #4		189.86 204.21	187.75 192.42	167.93 181.15	172.79 176.48	167.41 167.99	165.26 169.74	165.07 166.04	165.83 170.92
Soymeal Winnipeg Delivered	523	523	449	445	445	445	446	446	
Corn Winnipeg. Delivered	159	159							

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