



Hog Margin Outlook

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Monday, September 23, 2013

Forward contract prices opened higher this morning. US cash markets are called to trade steady this morning, despite Friday's decline of more than \$1.50/cwt. in most reporting regions. US packers benefited by wholesale pork prices improving to the benchmark level of \$100/cwt., as reported in the pork carcass cut-out. The last time the carcass cut-out was valued at this level was one month ago when the weekly slaughter came in at 2.2 million hogs. Remarkably, last week's slaughter totaled an estimated 2.18 million hogs, a decline from a month earlier when the market typically experiences an increase of about 10% over this timeframe. Market analysts have suggested that hogs were simply delayed by the early September heat wave which caused growth rates to fall, but the size of the 'hole' in marketings is larger than anticipated. Should this week's slaughter not come in over 2.2 million hogs, nearby futures contracts will likely start to reflect the anomaly by appreciating in value. Producers looking for protection in the winter months should consider setting targets at levels \$5-\$7/ckg higher than current forward prices.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading mixed. Frost forecasts have been pushed back to the second week in October for Iowa and Minnesota, adding pressure. As well there is talk that basis is weakening as domestic crushers are starting to replenish supplies amid the start of the harvest, now estimated at 3-4% complete. There are reports that 'excessive' palm oil supplies are pressuring the vegetable oil market.

Canadian delivered corn prices opened lower this morning. US corn futures are trading higher. Expected increases in crop conditions, a progressing harvest (estimated at 10-12% complete ahead of today's report) and increasingly bearish weather forecasts (i.e. no immediate frost scares) are pressuring the trade. There is evidence that speculative funds have increased their short positions, and reports of meagre export demand.

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

US Slaughter	
2.180 mil.	Last Week
2.402 mil.	Last Week (year ago)
W. Corn Belt	\$93.22
National Price	\$97.38
Daily Sig 3	\$175.75
Daily Sig 4	\$177.81
Thunder Creek	\$175.74
4-Month Fwd.	\$
B of C Ex. Rate (Noon)	
\$1.0287 CAD/\$0.9721 USD	
Cash Prices Week Ending September 20, 2013	
Signature 3	81.79/180.32
Signature 4	79.31/174.85
h@ms Cash	78.63/173.35
Hylife	79.19/174.58
Thunder Creek	80.20/176.80
ISO Weans	\$42.11 US Avg.
Feeder Pigs	\$59.93 US Avg.
#1 Export Sows (+500lbs)	\$ 67.00 cwt.

Fixed Forward Range	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		159.88	149.77	152.60	151.57	158.68	153.28	155.54	164.18	168.46
		166.02	155.91	155.43	158.21	161.05	156.59	162.19	171.78	174.63
Maple Leaf Sig. #4		162.14	150.15	152.53	152.28	157.97	154.30	154.12	163.31	166.99
		165.43	158.57	156.19	155.40	158.70	157.05	160.37	170.85	171.59
Soymeal Winnipeg Delivered	544	510	488	488	495	496				
Corn Wpg Delivered	224	226	189							

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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