



Hog Margin Outlook

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Thursday, November 14, 2013

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

| US Slaughter | |
|---|-------------------------|
| 425,000 | Wednesday |
| 436,000 | Wednesday (year ago) |
| W. Corn Belt | \$ 81.28 |
| National Price | \$ 85.14 |
| Daily Sig 3 | \$ 155.96 |
| Daily Sig 4 | \$ 158.19 |
| Thunder Creek | \$ 156.09 |
| 4-Month Fwd. | \$161.35 |
| B of C Ex. Rate (Noon) | |
| \$1.0468 CAD/\$0.9552 USD | |
| Cash Prices Week Ending November 8, 2013 | |
| Signature 3 | 70.93/156.38 |
| Signature 4 | 73.49/162.01 |
| h@ms Cash | 72.81/160.51 |
| Hylife | 72.67/160.20 |
| Thunder Creek | 73.17/161.30 |
| ISO Weans | \$67.72 US Avg. |
| Feeder Pigs | \$77.03 US Avg. |
| #1 Export Sows (+500lbs) | \$63.75 cwt. |

Forward contract prices opened lower this morning. US cash markets were steady to lower yesterday with reporting regions showing an average 40 cents/cwt. loss over the course of the day. Despite some expectations of support in the cash markets this week, there is talk that many US packers have already sourced enough hogs to fill their weekly slaughter schedules. Adding pressure for the remainder of the week are heavier hog weights that are 3% or 8 lbs. heavier than year ago levels. Lean hog futures are trading steady to lower in spite of news the USDA has lowered its estimate for pork production in 2014. The general consensus is that the revision lower is in part a function of issues associated with the PED virus and an expectation from the USDA that pork production will not increase as rapidly as expected, even though feed costs are low relative to last year. While this would typically be supportive in nature, there is some new concern of 'easing' demand. Forward contract prices represent good value as compared historically and present an opportunity for producers to hedge against market shocks at forward prices higher than typically seen at this time of year.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower. Technical trading indicators suggest that the soy complex is oversold and the recent turn lower appears to be the technical market correction for the overextension. As well, S. American weather, particularly in Brazil where the weather associated with planting and crop development is being described as 'perfect', is adding pressure.

Canadian delivered corn prices opened even this morning. News that the EPA Ethanol Mandate may be revised lower is pressuring the corn market for now. As well, S. American planting weather has been ideal and is adding pressure. However, a report released later today is expected to show ethanol demand is strong and there are good margins being reported at Iowa and Illinois production facilities. Support also comes from strong demand amid relatively low corn prices.

| Fixed Forward Range | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
|----------------------------|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Maple Leaf Sig. #3 | | 154.80 | 158.56 | 165.82 | 164.60 | 166.94 | 177.57 | 181.93 | 178.29 | 170.86 |
| | | 157.70 | 163.88 | 166.79 | 167.99 | 173.24 | 185.33 | 186.78 | 185.56 | 177.16 |
| Maple Leaf Sig. #4 | | 153.64 | 157.86 | 163.48 | 163.70 | 163.54 | 174.21 | 177.96 | 175.28 | 172.97 |
| | | 157.38 | 160.85 | 164.23 | 166.51 | 169.92 | 181.91 | 182.66 | 182.41 | 174.84 |
| Soymeal Winnipeg Delivered | 532 | 532 | 534 | 534 | 534 | | | | | |
| Corn Wpg Delivered | 199 | 201 | 203 | | | | | | | |

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