



Hog Margin Outlook

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Friday, November 22, 2013

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

Forward contract prices opened mixed this morning. US cash markets are trading lower this morning with prices falling to their lowest level in nearly 7 months. Packers have been slow to add hours to their slaughter schedules, partly due to the fact that their production levels are higher based on heavy carcass weights. The pork carcass cut-out has been trending slightly lower, but is maintaining a value better than \$90/cwt, allowing packers a profitable return on fresh meat sales. The constant uncertainty related to the PED virus's impact on the market remains unresolved. Analysts and traders are having difficulty reconciling recent slaughter levels with the latest USDA survey on hog inventory and the reports of infected farms. There is no record of the number of animals that have been lost to the disease, with vets only reporting the type of farm and age class of animal that was infected. The market will continue to be heavily influenced by the weekly hog slaughter and look for evidence of a trend. Given the supply uncertainty, winter and spring forward contract prices represent fair value and producers without protection should consider pricing a portion of their production.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. Two 'events' have been in part responsible for the majority of the recent strength. 1) soybean exports surpassed market expectations at 1.38 MMT compared to the high-mark trader expectation of 900,000 MT, and 2) talk of a developing El Nino situation for next spring was mentioned by a respected hedging firm yesterday, supporting contracts further out. There is a general expectation that seasonal support will remain up to and until US Thanksgiving next week.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Short covering is being cited as a factor in supporting the corn trade amid healthy demand due to good ethanol margins and healthy export sales (cumulative sales are at 68.6% compared to the 49.2% 5-year average). However, there is a general consensus that support is more technical than fundamental currently; many analysts and traders are expecting large crops in both hemispheres for this and next year, El Nino talk notwithstanding.

US Slaughter	
438,000	Thursday
1,000	Thursday (year ago)
W. Corn Belt	\$76.38
National Price	\$ 82.93
Daily Sig 3	\$147.09
Daily Sig 4	\$154.65
Thunder Creek	\$146.84
4-Month Fwd.	\$162.87

B of C Ex. Rate (Noon)
\$1.0506 CAD/\$0.9518 USD

Cash Prices Week Ending November 22, 2013	
Signature 3	68.18/150.31
Signature 4	70.43/155.28
h@ms Cash	69.75/153.78
Hylife	n/a
Thunder Creek	70.22/154.80

ISO Weans	\$73.69 US Avg.
Feeder Pigs	\$77.21 US Avg.
#1 Export Sows (+500lbs)	\$63.50/cwt. tagged

Fixed Forward Range	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #3		155.53	157.25	166.46	166.65	168.82	179.26	183.62	180.89	172.71
		158.43	164.52	167.42	170.04	175.12	187.02	188.47	188.20	179.04
Maple Leaf Sig. #4		157.35	157.16	164.10	165.69	166.30	175.84	179.60	177.81	174.79
		158.66	161.47	164.85	168.51	171.74	183.54	184.29	184.98	176.68
Soymeal Winnipeg Delivered	531	531	532	532	532					
Corn Wpg Delivered	198	200	202							

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