



Hog Margin Outlook

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Tuesday, November 26, 2013

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

US Slaughter	
430,000	Monday
430,000	Monday (year ago)
W. Corn Belt	\$78.43
National Price	\$ 81.57
Daily Sig 3	\$151.73
Daily Sig 4	\$152.80
Thunder Creek	\$151.54
4-Month Fwd.	\$164.36
B of C Ex. Rate (Noon) \$1.0554 CAD/\$0.9475 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	69.45/153.12
Thunder Creek	70.22/154.80
ISO Weans	\$75.87 US Avg.
Feeder Pigs	\$80.43 US Avg.
#1 Export Sows (+500lbs)	\$61.50/cwt. tagged

Forward contract prices opened lower this morning. US cash markets are trading firm despite the reduced production schedule that most US packers have adopted for this week. Pork inventory in Cold Storage was shown to be down 6% from year ago levels as of October 30, 2013, which coincides with a production shortfall of approximately 4% in pork for October. In particular, inventories of the high valued belly primal was 50% larger than year ago levels while supplies of low valued shoulder cuts were close to 40% lower. Winter and Spring forward contract prices represent good value in the context of seasonal price patterns, but do not represent a significant premium over current cash values. Some analysts rationalize a larger premium given the uncertainty in hog supply due to uncertainty caused by the outbreak of PED virus in the US herd. Summer month contracts have shown resistance to moving lower over recent weeks, suggesting that producers can delay adding price protection into this timeframe. The Canadian Dollar has contributed positively to both cash and forward prices, trading near its lowest level in about three months.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower following rumors of potential cancellations from China. Chinese orders are currently expected to support the complex into the spring of next year amid relatively tight US supplies. However, there was talk indicating that improvements in S. American production and logistics could turn the Chinese to the southern market for supply, instead of the US, pressuring the trade. Exports have been below market expectations but are still supportive.

Canadian delivered corn prices opened even this morning. Mostly favourable weather forecasts in S. America and a US harvest nearing completion are pressuring the trade; Argentine planting is estimated up 3% from last week at 44% complete. The US harvest is pegged at 95% completed and while the barrage of headlines declaring news of 'exceptional yields' has subsided somewhat, a carryout estimate approaching 2 billion bu., combined with a large S. American crop, is still viewed as bearish in the longer term.

Fixed Forward Range	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #3			156.76 164.03	165.97 166.94	167.23 170.62	169.58 175.90	180.37 188.15	184.75 189.61	181.87 189.18	173.97 180.31
Maple Leaf Sig. #4			156.31 160.63	163.26 164.01	165.51 168.33	165.35 171.75	176.17 183.99	180.03 185.02	178.00 185.17	175.27 177.15
Soymeal Winnipeg Delivered	555	555	556	556	556					
Corn Wpg Delivered	185	185	200	200						

This information is intended to aid producers in making pricing decisions. Opinions given do not guarantee any future events or performance. Any unauthorized distribution (including email forwarding) of the HMO is strictly prohibited.

A special note this week:

Forward Contracting and Feed Procurement activity will be unavailable Thursday, November 28 due to the US Thanksgiving holiday.

Markets will resume Friday the 29th, but closing one hour early at 11:30 Central.