



Hog Margin Outlook

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Wednesday, December 18, 2013

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

US Slaughter	
438,000	Tuesday
434,000	Tuesday (year ago)
W. Corn Belt	\$78.11
National Price	\$81.24
Daily Sig 3	\$151.91
Daily Sig 4	\$152.99
Thunder Creek	\$151.80
4-Month Fwd.	\$166.99
B of C Ex. Rate (Noon) \$1.0610 CAD/\$0.9430 USD	
Cash Prices Week Ending December 13, 2013	
Signature 3	68.83/151.75
Signature 4	70.22/154.80
h@ms Cash	69.54/153.30
Hylife	69.50/153.21
Thunder Creek	70.13/154.60
ISO Weans	\$80.22 US Avg.
Feeder Pigs	\$86.98 US Avg.
#1 Export Sows (+500lbs)	\$59.00/cwt. tagged

Forward contract prices opened higher this morning. US cash markets have seen choppy trade this week as some packers attempt to shore up supplies ahead of next week's holiday shutdown while others appear to be comfortable with their pork inventory. Packers continue to benefit from better than average operating margins for this time of year, estimated at over \$25/hog (excluding plant costs and the value of by-products). Lean Hog futures have been on a weaker trend, largely due to the influence of the cash market, and the heavy carcass weights that have more than offset the PED virus reduced hog supply from last summer. Lean Hog futures continue to reflect an optimistic view of hog prices over the next 4 months, with both the February and April contracts trading at premium to the current cash market. Compared to the last 3 years of trading, this premium is approximately 30% larger than what has been experienced in those last 3 years. The Canadian Dollar remains under pressure, near its lowest level in almost 3 years as traders believe Canada's economic growth will lag behind that of the United States.

Canadian delivered soymeal prices opened higher this morning. US carryout estimates reflect tight supplies and continue to provide support to the nearby contracts amid strong demand. There are some expectations that China may cancel some US orders when Argentine production becomes available but if this fails to materialize, tight US ending stocks could support prices well into this winter's S. American and next year's US harvests. There are expectations of massive crop productions in both hemispheres despite some current heat-related stress concerns in S. America, however.

Canadian delivered corn prices opened even this morning. The ongoing Chinese rejection of the unapproved corn variety (now rumored to eminently include US DDGs) appears to look more and more like a trade dispute; officials on both sides will meet in Beijing later this week. To date, rejections amount to 600,000 MT since November. Support comes from news that there is some crop stress in the drier areas of Argentina but, rain is expected over 50% of affected areas and the outlook is generally bearish.

Fixed Forward Range	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3			160.65 161.62	164.56 167.98	166.92 173.29	179.37 190.15	186.72 191.62	183.58 190.93	172.22 182.66	156.94 164.39	154.00 158.90
Maple Leaf Sig. #4			158.12 158.88	162.57 165.79	162.78 169.23	175.31 185.18	181.76 186.70	179.20 186.22	173.32 178.88	155.01 168.39	155.39 157.09
Soymeal Winnipeg Delivered	583	583	583	583	586	587					
Corn Wpg Delivered	178	182	182								

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Main Office	h@ms Holiday Schedule	Winnipeg Livestock (WLS)
8:00AM – 3:00 PM	Dec. 24 (Tues.)	8:30AM – 12 noon
Closed	Dec. 25 & 26 (Wed. & Thurs.)	Closed
8:00AM – 3:00 PM	Dec. 31 (Tues.)	8:30AM – 12 noon
Closed	Jan. 1 (Wed.)	Closed