



Hog Margin Outlook

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Friday, December 20, 2013

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

US Slaughter	
436,000	Thursday
347,000	Thursday (year ago)
W. Corn Belt	\$74.97
National Price	\$81.26
Daily Sig 3	\$146.71
Daily Sig 4	\$153.99
Thunder Creek	\$146.38
4-Month Fwd.	\$167.38
B of C Ex. Rate (Noon)	
\$1.0676 CAD/\$0.9370 USD	
Cash Prices Week Ending December 20, 2013	
Signature 3	67.36/148.50
Signature 4	69.59/153.41
h@ms Cash	68.91/151.91
Hylife	n/a
Thunder Creek	68.36/150.70
ISO Weans	\$80.22 US Avg.
Feeder Pigs	\$86.98 US Avg.
#1 Export Sows (+500lbs)	\$59.00/cwt. tagged

Forward contract prices opened lower this morning. US cash markets are finishing this week sharply lower than where they started. Packers are finding supplies relatively easy to source, and are motivated to maintain good operating margins in spite of the weakness experienced in the wholesale pork market. Belly and ham values, accounting for about 40% of the hog carcass by weight, have fallen by more than 10% this week, as retail demand eases ahead of next week's holidays. However, Lean Hog futures have not seen significant influence from this week's cash markets, as they have largely been focused on the longer term supply fundamentals and the impact of PED virus. The USDA will release its Hogs and Pigs report next Friday, with early analyst estimates expecting a 1% - 2% decline in market hog inventory. However, the reduction in numbers has been more than offset by the record large hog weights, so market reaction would likely muted even if the report comes in on the low end of expectations. Producers that have not yet covered a portion of their spring and summer production should consider hedging some of their price risk ahead of next Friday's report as current prices represent good value when compared against the seasonal price trend.

Canadian delivered soymeal prices opened higher this morning. Support for the soybean complex continues following a period of good demand and on some concern that recent heat and dryness is stressing crops in S. America, suggesting Chinese cancellations become less likely, pressuring US supplies. S. American weather premiums and technical trading is thought to be currently driving recent support. However, the weather is generally favourable and despite the supportive technical action, the upside remains somewhat limited amid large crop productions still estimated.

Canadian delivered corn prices opened even this morning. US corn futures are trading mixed. The choppy corn trade is largely a function of uncertainty following rejected shipments at Chinese ports due to the presence of an 'unapproved variety'. A general consensus is that this issue is a trade dispute between China and the US; the variety is approved elsewhere and delegations from both sides are meeting in Beijing this week. Nonetheless, cumulative export sales are 19.5% higher than 5-year average and some dryness in S. America is supporting the trade.

Fixed Forward Range	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3			160.62 161.60	164.78 168.22	167.21 173.62	180.41 191.25	187.80 192.73	184.99 192.39	173.74 184.24	157.46 165.85	156.14 161.10
Maple Leaf Sig. #4			158.10 158.87	162.80 166.04	163.07 169.56	176.33 186.25	182.82 187.78	180.57 187.64	174.84 180.42	157.15 169.87	157.54 159.26
Soymeal Winnipeg Delivered	580	580	580	580	584	585					
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