



# Hog Margin Outlook

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Friday, January 24, 2014

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

US Slaughter	
434,000	Thursday
426,000	Thursday (year ago)
W. Corn Belt	\$80.93
National Price	\$81.09
Daily Sig 3	\$165.11
Daily Sig 4	\$160.20
Thunder Creek	\$165.94
4-Month Fwd.	\$182.92
<b>B of C Ex. Rate (Noon)</b>	
\$1.1130 CAD/\$0.8984 USD	
<b>Cash Prices Week Ending January 24, 2014</b>	
Signature 3	72.13/159.02
Signature 4	71.56/157.77
h@ms Cash	70.88/156.27
Hylife	n/a
Thunder Creek	70.81/156.10
ISO Weans	\$86.33 US Avg.
Feeder Pigs	\$95.35 US Avg.
#1 Export Sows (+500lbs)	n/a

**Forward contract prices opened higher this morning.** US cash markets moved sharply higher yesterday, as packers compete for the finite supply and wholesale pork prices provide support. However, the hog industry in Canada was focused on an announcement yesterday which confirmed that a farm in Ontario was infected with the PED virus, the first incident found in Canada. While not completely unexpected given that the virus has proven 'difficult to contain' in the US, it was hoped that new protocols of trucks going south would delay the disease from moving north. However, it is further hoped that the disease was identified early enough to be contained to this single farm. The futures market may have experienced a modest increase after the news, as traders attempt to work the longer term impact of a tighter hog supply across North America into the deferred month contracts. Forward prices continue to push higher, reflecting ideas of tight supply (PED virus reduced), good demand (a result of expensive beef) and a weak Canadian Dollar that is trading at its lowest level in about 4 years.

**Canadian delivered soymeal prices opened lower this morning.** US soybeans remain in a choppy trade to end the week. On the bear side, there is potential that Chinese cancellations could be reflected in today's USDA Export Sales report. In addition, wetter weather is helping along Argentine crop development while drier weather in Brazil is aiding the harvest. On the bull front, it is estimated that Argentine farmers are holding 8-9 MMT of beans as the peso continues to fall (17.5% yesterday). US export sales remain robust including rumors of up to 5 new cargoes sold to China, despite cancellation concerns.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower despite news of ethanol exports resuming to Brazil in over a year, good ethanol margins amid low input costs, and increasing production of the fuel. Another bullish influence countering the current trade is expectations that the Argentine production estimates will be reduced by up to 3 MMT due to earlier heat stress. However, the funds maintain a large net short position with no real movement suggesting a continuing bearish tone.

Fixed Forward Range	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		168.81	176.74 180.30	179.15 185.78	192.26 203.46	199.90 204.99	196.73 204.39	183.02 195.19	166.93 174.84	162.34 168.98
Maple Leaf Sig. #4		166.52	174.11 177.45	174.28 180.98	187.06 198.11	194.56 199.69	191.99 199.32	183.27 190.30	164.03 178.13	163.24 166.20
Soymeal Winnipeg Delivered	571	571	571	573	573					
Corn Wpg Delivered	184	190								

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.

Location	h@ms District Meeting Schedule	Time
Days Inn, Swift Current, SK	Wednesday, March 5, 2014	10:00AM with lunch to follow
Sandman Hotel, Saskatoon, SK	Wednesday, March 5, 2014	4:00PM with dinner to follow
Headingley Community Hall, Hdly, MB	Wednesday, March 12, 2014	2:00PM with dinner to follow
Smitty's, Steinbach, MB	Friday, March 14, 2014	12:00PM with lunch served
Starbuck Community Hall, Stbck, MB	Thursday March 20, 2014	2:00PM with dinner to follow