



Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, January 28, 2014

Forward contract prices opened higher this morning. US cash markets started the week slightly lower amid hog supplies that appear stable despite some weather disturbances. Wholesale pork prices continue to make small gains with the pork cut-out hitting \$90/cwt, a level not seen since for a month and a half. The high price of competing meats has had a positive impact on the pork complex with all primal cuts benefitting from the rally. Lean Hog futures are maintaining their sizable premium over the cash market, suggesting that US cash prices will rally \$5/cwt over the next 3 weeks and \$13/cwt over the next 3 months. The premium is also reflected in forward prices, and is more than double the 'normal' level at this time of year. Further contributing to the favourable forward contract prices, is the value of the Canadian Dollar which has dropped to the lowest level since July 2009, when hog prices were in the tank at \$120/hog. Six-month average forward contract prices are yielding values near the bench mark level of \$200/hog.

Canadian delivered soymeal prices opened even this morning. US soybeans experienced some strength Monday following news of some harvest delays in Brazil and export shipments that exceeded market expectations, pushing the current marketing year's totals to 74.6% of USDA estimates (59.6% 5-year average). Other bull factors include Argentine farmers withholding beans and no rumors (yet) of expected Chinese cancellations. Despite this, the weather situation in S. America is leaning towards bearish and the Brazil harvest has begun, keeping the deferred contracts in check.

Canadian delivered corn prices higher even this morning. Analysts are reporting no major market movers as fundamentals remain relatively unchanged; some pressure comes from poor export sales. The large funds still maintain a large net short position with rumors that some traders will remain on the sidelines until some significant news materializes. The recent cold weather has sparked talk of increased feed usage, limited movement of corn due to frozen waterways and the potential of delayed plantings in the event of a late spring (!).

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

US Slaughter	
406,000	Monday
407,000	Monday (year ago)
W. Corn Belt	\$79.45
National Price	\$81.63
Daily Sig 3	\$161.62
Daily Sig 4	\$160.81
Thunder Creek	\$161.89
4-Month Fwd.	\$185.38
B of C Ex. Rate (Noon)	
\$1.1098 CAD/\$0.9010 USD	
Cash Prices Week Ending January 24, 2014	
Signature 3	72.13/159.02
Signature 4	71.56/157.77
h@ms Cash	70.88/156.27
Hylife	71.11/156.77
Thunder Creek	70.81/156.10
ISO Weans	\$85.16 US Avg.
Feeder Pigs	\$98.58 US Avg.
#1 Export Sows (+500lbs)	\$49.50

Fixed Forward Range	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3			177.29 180.87	179.72 186.39	192.99 204.28	200.69 205.82	197.67 205.37	182.98 196.13	167.63 174.77	162.99 169.69
Maple Leaf Sig. #4			174.66 178.03	174.83 181.58	187.78 198.91	195.33 200.50	192.90 200.26	183.26 191.21	164.72 178.09	163.92 166.92
Soymeal Winnipeg Delivered	586	586	586	587	587					
Corn Wpg Delivered	185	191								

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