



Hog Margin Outlook

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Friday, March 21, 2014

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

US Slaughter	
413,000	Thursday
426,000	Thursday (year ago)
W. Corn Belt	\$125.73
National Price	\$117.02
Daily Sig 3	\$259.29
Daily Sig 4	\$233.70
Thunder Creek	\$258.84
4-Month Fwd.	\$245.35
B of C Ex. Rate (Noon) \$1.1251 CAD/ \$0.8888 USD	
Cash Prices Week Ending March 21, 2014	
Signature 3	111.96/246.82
Signature 4	101.88/224.60
h@ms Cash	101.20/223.10
Hylife	n/a
Thunder Creek	103.47/228.10
ISO Weans	\$86.65 US Avg.
Feeder Pigs	\$114.39 US Avg.
#1 Export Sows (+500lbs)	\$79.25

Forward contract prices opened higher this morning. US cash markets moved higher again this morning, marking this the 45th consecutive day of gains in the CME Lean Hog Index price. Even more remarkable is that the daily gain on the index price over this same timeframe has averaged almost \$1.00/cwt, reflecting the biggest Bull Run ever experienced in the modern era of US hog production. Packers still have incentives to bid the price of hogs higher as their margins are being supported by strong pork product prices. So far, there have been no signs of significant pushback from pork buyers, as they seem resigned to the fact that they will be paying 50% more for pork primal cuts than they did at this time last year for the foreseeable future. Lean Hog futures closed slightly lower in trade yesterday, but have regained those losses already this morning. Traders are simply trying to keep pace with the cash market gains, but next week's activity may see even more volatility. Large speculators are holding a very large and profitable net long position in Lean Hog futures which may result in some profit taking pressure ahead of the highly anticipated Hogs and Pigs report.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower on talk of profit taking this morning. Thursday's support came mostly on news from the USDA which showed export sales of 23.5 million bu. (new and old crops), a figure that surpassed market expectations. As well, rather than cancelling orders, China bought 8.93 million bu. of US product. However, there is talk of resumed farmer selling in Argentina and an expectation of a weaker Chinese economy, adding pressure further out and influencing thoughts of profit taking today.

Canadian delivered corn prices opened even this morning. US corn futures are trading mixed. Better than expected export sales are helping to support the nearby trading months, but a bearish outlook on commodities in general, in part due to poor Chinese economic performance, is pressuring the deferred contracts. The recent bouts of cold weather and persistent dryness in some growing areas are influencing increased speculation about delayed planting in the US.

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		245.51	248.50	258.28	250.33	222.70	206.70	202.29	167.93	172.58
		245.51	259.83	264.46	258.07	251.92	214.44	209.00	175.17	175.17
Maple Leaf Sig. #4		234.95	239.14	247.92	240.91	220.36	200.36	199.59	166.12	170.93
		235.35	251.91	254.10	248.71	243.65	214.96	202.79	176.93	175.23
Soymeal Winnipeg Delivered	602	611	611	611	613	613	613			
Corn Winnipeg Delivered	190	192								

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