



Hog Margin Outlook

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Thursday, April 03, 2014

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

US Slaughter	
410,000	Wednesday
425,000	Wednesday (year ago)
W. Corn Belt	\$127.74
National Price	\$127.91
Daily Sig 3	\$258.29
Daily Sig 4	\$250.45
Thunder Creek	\$257.81
4-Month Fwd.	\$230.29
B of C Ex. Rate (Noon) \$1.1031 CAD/ \$0.9065 USD	
Cash Prices Week Ending March 28, 2014	
Signature 3	118.33/260.88
Signature 4	110.31/243.19
h@ms Cash	109.63/241.69
Hylife	110.72/244.10
Thunder Creek	114.22/251.80
ISO Weans	\$88.73 US Avg.
Feeder Pigs	\$127.69 US Avg.
#1 Export Sows (+500lbs)	\$86.00

Forward contract prices opened lower this morning. US cash markets turned lower yesterday, dropping approximately \$1.50/cwt in the afternoon trade and indicating that there may be some resistance to moving higher from current values. The daily slaughter levels have averaged less than 410,000 hogs this week, larger than the same week last year when some plants were closed for Easter holidays. In spite of the lower packer bids, the pork cut-out hit another new all-time high, as the reduced weekly slaughters are starting to draw down supplies of fresh and frozen pork. The pork belly primal surged past the \$200/cwt bench mark, as bacon processors attempt to secure needed supplies in the only way they can. Alternatively, Lean Hog futures have dropped close to \$6.00/cwt from the highs seen earlier this week, as speculators sell out of their profitable long positions. Last Friday's Hogs and Pigs report has some traders questioning whether the 'hole' in hog marketings is as large as some have suggested. Interestingly, the June contract is trading at a \$3.00/cwt discount to the April, an inversion of the normal pricing relationship between these two periods.

Canadian delivered soymeal prices opened lower this morning. The soybean complex traded higher in the overnight session and is currently trading near the contract highs established earlier this week. However, fundamental news has more of a bearish tone, with the USDA's projection for Soybean acreage setting the market up for large supplies should the US growing season avoid any adverse conditions.

Canadian delivered corn prices opened even this morning. The corn market is already becoming focused on weather in the Midwest, with talk of rain delaying field preparation before the planting season which typically gets started within 2-3 weeks. With soybean prices benefitting from good demand, the market anticipates corn acreage will drop due to better projected margins. However, fewer acres will make the market more sensitive to weather disruptions and could lead to a volatile trade over the summer months.

Fixed Forward Range	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3		234.37 242.45	238.92 244.47	234.82 242.42	220.52 234.78	203.79 212.41	200.55 207.15	168.73 176.85	174.31 176.85
Maple Leaf Sig. #4		225.00 234.59	230.48 236.55	227.19 234.85	218.55 227.94	198.92 213.25	198.24 201.39	168.01 178.83	173.13 176.76
Soymeal Winnipeg Delivered	629	629	629	630	630	630			
Corn Winnipeg Delivered	191	195	195						

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