



# Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, May 20, 2014

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

| US Slaughter                                    |                      |
|---|----------------------|
| 385,000   | Monday               |
| 412,000   | Monday<br>(year ago) |
| W. Corn Belt                                    | \$108.81             |
| National Price                                  | \$110.87             |
| Daily Sig 3                                     | \$217.04             |
| Daily Sig 4                                     | \$214.16             |
| Thunder Creek                                   | \$216.85             |
| 4-Month Fwd.                                    | \$226.17             |
| <b>B of C Ex. Rate (Noon)</b>                   |                      |
| \$1.0882 CAD/ \$0.9189 USD                      |                      |
| <b>Cash Prices Week Ending<br/>May 16, 2014</b> |                      |
| Signature 3                                     | 98.77/217.74         |
| Signature 4                                     | 98.09/216.25         |
| h@ms Cash                                       | 97.41/214.75         |
| Hylife  | 97.06/213.97         |
| Thunder Creek                                   | 101.33/223.40        |
| ISO Weans                                       | \$72.02 US Avg.      |
| Feeder Pigs                                     | \$126.17 US Avg.     |
| #1 Export Sows (+500lbs)                        | \$77.00 cwt.         |

**Forward contract prices opened higher this morning.** US cash markets started the week with packers bidding hogs cautiously higher, while Canadian markets were idle for the long weekend. Yesterday's slaughter was estimated at 385,000 hogs, close to 6% fewer than the same day one year earlier. However, there is no evidence of a trend to tighter supplies yet, with last week's slaughter coming in at 1.999 million hogs, 1.8% lower than year ago levels. When carcass weights are considered, last week's pork production was estimated 433 million pounds, 3% larger than year ago levels. This is a divergence of close to 10% from the pork supply that the market had anticipated for this timeframe only a month ago. Lean Hog futures continue to factor in an optimistic view of the price trend over the next 2 months, with the June contract currently holding a \$7.00/cwt premium to the cash and the July a \$14.00/cwt premium. Futures traders are looking for confirmation of a sustained reduction in supply in order to maintain prices at current levels. Producers without price protection in the summer and fall timeframe should consider current prices as good value given the uncertainty surrounding the hog supply over the next 4 months.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading higher. Mostly bearish news and or rumors are supporting the market this morning; Export inspections were above what is needed to reach USDA estimates, rumors of looming Chinese interest in the new crop and talk that basis levels in the interior are firming after a brief reprieve last week. Soybean crop is estimated at 33% planted, 5% lower than the 5-year average.

**Canadian delivered corn prices opened even this morning.** US corn futures are higher. Strong domestic demand is supportive this morning despite fundamental news that is generally bearish. Good planting weather is forecast and farmers made progress last week that saw planting progress climb 14% to 73% complete (1% below market expectations and 3% below the 5 year average). USDA yield estimates are at 163.5 bu./acre for the 2014/15 crop, about 5 bpa above trend yields.

| Fixed Forward Range        | May | Jun              | Jul              | Aug              | Sep              | Oct              | Nov              | Dec              | Jan              | Feb              |
|----------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3         |     | 230.79<br>234.79 | 242.35<br>244.86 | 224.70<br>247.67 | 208.15<br>216.67 | 205.04<br>211.57 | 173.82<br>181.86 | 179.35<br>181.86 | 171.09<br>171.09 | 166.03<br>172.60 |
| Maple Leaf Sig. #4         |     | 233.68<br>228.14 | 234.30<br>237.02 | 222.93<br>240.03 | 203.51<br>217.69 | 203.13<br>206.05 | 173.29<br>183.99 | 178.35<br>181.95 | 170.93<br>191.31 | 166.42<br>173.06 |
| Soymeal Winnipeg Delivered | 649 | 649              | 650              | 650              | 650              |                  |                  |                  |                  |                  |
| Corn Wpg. Delivered        | 181 | 181              | 181              |                  |                  |                  |                  |                  |                  |                  |

This information is intended to aid producers in making marketing decisions. Opinions given do not guarantee any future events or performance. Any unauthorized distribution (including email forwarding) of the HMO is strictly prohibited.

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**STRENGTH IN NUMBERS**