



# Hog Margin Outlook

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Wednesday, August 27, 2014

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

**Forward contract prices opened mixed this morning.** US cash markets are trading lower again this morning, pressured by the abundant supplies seen early this week. Daily hog slaughter has averaged more than 10,000 hogs/day more than last week and may mark the shift to the fall run up in hog supplies. While packer margins remain profitable, they still need to contend with the dismal performance of pork bellies that have lost close to 20% of their value in the last 10 days. Friday's Cold Storage report only cemented the bearish fundamentals on the primal cut by showing supplies were more than double year ago levels. Lean Hog futures added to yesterday's gains in the overnight trade and are starting this morning's trade higher, recovering to levels not seen for two weeks. The futures trade has seen no measureable impact from news that the WTO found in favour of Canada and Mexico in the US Country of Origin Labelling case, which clears the way for retaliatory tariffs against a list of possible US products.

**Canadian delivered soymeal prices opened mixed this morning.** Contracts trading the old crop have seemingly stabilized on thoughts that the current price is an accurate reflection of the supply and demand fundamentals on the ground - for now. Any news on either side of the trade could have significant impact on market movement. New crop support comes on thoughts that the trade is close to hitting bottom for now and some rumors of sudden death syndrome (SDS; a soil-borne pathogen) appearing in the US Midwest.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower amid lack of market moving news and continued thoughts of a large new corn crop. So far, the USDA and the Crop Tour have both reported average national yields just shy of 170 bpa. What's important to remember is 169.3 (Crop Tour) is still a very large number that could result in 14+ billion bu. of production and carryouts approaching 2 billion. The general consensus is for a bearish trade with some thoughts that December corn could trade in the \$3.50s USD/bu. until demand numbers rise in the mid-term.

US Slaughter	
416,000	Tuesday
432,000	Tuesday (year ago)
W. Corn Belt	\$93.44
National Price	\$100.70
Daily Sig 3	\$187.56
Daily Sig 4	\$195.74
Thunder Creek	\$187.44
4-Month Fwd.	\$173.29
<b>B of C Ex. Rate (Noon)</b>	
\$1.0951 CAD/ \$0.9131 USD	
<b>Cash Prices Week Ending August 22, 2014</b>	
Signature 3	90.28/199.03
Signature 4	95.99/211.62
h@ms Cash	95.31/210.12
Hylife	93.54/206.21
Thunder Creek	97.89/215.80
ISO Weans	\$57.49 US Avg.
Feeder Pigs	\$78.59 US Avg.
#1 Export Sows (+500lbs)	\$72.00/cwt. tagged

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		185.25	179.17 187.68	164.11 172.12	165.61 172.12	163.33 168.85	166.14 170.36	167.65 171.16	172.84 177.89
Maple Leaf Sig. #4		182.19	180.09 184.74	164.54 172.20	169.39 173.07	162.74 168.96	166.43 170.71	166.43 169.93	170.11 175.20
Soymeal Winnipeg Delivered	745	745	451	437	437	434	434	434	
Corn Winnipeg. Delivered	160	162							

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**WINNIPEG LIVESTOCK**  
HWY #6 AND RD 236

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