



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, August 28, 2014

Forward contract prices opened lower this morning. US cash markets are trading lower again this morning pressured by ample hog supplies to meet the expanded schedules and packers contending with falling wholesale pork prices. The weakness in the pork cut-out is consistent across all but one primal cut, but Belly prices have had the most direct impact on the benchmark price. Yesterday, bellies were down another \$13/cwt, more than a 50% decline from the highs experience in early April. While packer margins are still profitable, packers have been focused on managing their margins after wholesale pork prices turned lower more than a month ago. Lean Hog futures reacted negatively to the recent cash market move, with nearby contracts starting the day at prices about a \$1.00/cwt lower than yesterday's close. However, the market still believes that the cash market will be supported near current levels over the next two months by virtue of the October contract being discounted only marginally from current cash prices. The Canadian Dollar has recently experienced strength, in part due to the announcement of the Tim Horton's sale, positive trade data and better than expected U.S. growth.

Canadian delivered soymeal prices opened higher this morning. US soybeans are trading in a mixed and choppy pattern but with a bias toward the upside across all contracts this morning. The nearby price of meal has somewhat stabilized but is still at unprecedented spot prices going back to 1988, and likely past that. Political tensions between Russia and the Ukraine are being identified in part for the upturn in the deferred trade. However, optimistic yield estimates are expected to outweigh supply concerns as a result of localized flooding or sudden death syndrome, for example, limiting the deferred upside.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. The turnaround is being attributed to a bounce ahead of the long weekend on short covering and supported by strength in the wheat trade. Many in the trade will see this as a selling opportunity on technical grounds, and pressure could return soon. Adding to the bearish sentiment is the appearance of some demand concerns on the horizon; China is not budging on import bans in place (rumored to expand to DDGs, sorghum and alfalfa) and traditional US customers (Taiwan, e.g.) are rumored to issuing tenders to only S. America.

US Slaughter	
411,000	Wednesday
433,000	Wednesday (year ago)
W. Corn Belt	\$92.30
National Price	\$99.11
Daily Sig 3	\$184.26
Daily Sig 4	\$191.59
Thunder Creek	\$183.87
4-Month Fwd.	\$172.09
B of C Ex. Rate (Noon)	
\$1.0891 CAD/ \$0.9182 USD	
Cash Prices Week Ending August 22, 2014	
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		183.65	177.54 186.02	162.88 170.86	164.37 170.86	162.91 168.40	165.80 169.89	167.30 170.79	171.67 176.67
Maple Leaf Sig. #4		180.64	178.50 183.13	163.33 173.96	168.16 171.83	162.30 168.48	166.07 170.22	166.07 169.55	168.95 173.99
Soymeal Winnipeg Delivered	771	771	459	443	443	439	437	437	
Corn Winnipeg. Delivered	160	162							

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