



Hog Margin Outlook

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Friday, August 29, 2014

Hog Prices: ↑ Soymeal: ↑↓

Corn: ↔ CDN Dollar: ↑

US Slaughter	
410,000	Thursday
431,000	Thursday (year ago)
W. Corn Belt	\$90.50
National Price	\$97.92
Daily Sig 3	\$180.10
Daily Sig 4	\$188.70
Thunder Creek	\$179.90
4-Month Fwd.	\$172.09
B of C Ex. Rate (Noon)	
\$1.0857 CAD/ \$0.9211 USD	
Cash Prices Week Ending August 29, 2014	
Signature 3	84.56/186.43
Signature 4	88.58/195.28
h@ms Cash	87.90/193.78
Hylife	87.35/192.58
Thunder Creek	88.77/195.70
ISO Weans	\$57.49 US Avg.
Feeder Pigs	\$78.59 US Avg.
#1 Export Sows (+500lbs)	\$72.00/cwt. tagged

Forward contract prices opened higher this morning. US cash markets are finishing close to \$5.00/cwt. lower than where they started this week, pressured by more than ample hog supplies and a down-trending pork product market that threatens pork packing margins. The pork cut-out has fallen approximately 30% over the last 6 weeks marking the most dramatic price drop in recent history. Wholesalers and retailers had difficulty moving the product at higher values and never really found themselves short of raw supplies which led to the sharp down turn. Lean Hog futures have experienced a significant bounce, moving in the opposite direction of the cash market with the October gaining close to US\$7.00/cwt. over the last week. Traders are betting that they overshot the weakness and many still believe that live supplies will remain close to 10% lower than year ago levels which should provide support to the cash market over the next month. September and October fixed forward contracts priced only slightly lower than current cash prices represent fair value given the uncertainty in both the supply and demand factors.

Canadian delivered soymeal prices opened mixed this morning. US soybeans are trading lower with only the nearby contract showing support. Expected acreage increases in S. America and the potential for huge production numbers to offset WCB wetness and sudden death syndrome concerns are pressuring factors. Many in the trade are anticipating the next WASDE report for fresh news, still two weeks away. Old crop meal continues to sell in the spot market at unprecedented levels, rising by ~\$40 CAD/MT in two days after dropping \$50 on Wednesday. Volatility and high spot prices are expected until new crop becomes widely available.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower, mostly on expectations of a large US crop and less than stellar demand forecasts thus far. While the Ukraine situation could turn into tangible support for the trade, there have been no significant logistics concerns in the region; producers keep producing and corn is making its way to market – so far. Export sales have been meagre and there is talk of corn trading between \$2.85 and \$3.20 USD/bu. as a low. Despite the 'blend wall' there are some rumored to be suggesting an E30 blend could spark demand and pick up some slack.

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		187.28	181.18 189.63	166.57 173.53	167.07 1873.53	165.81 171.28	167.50 172.78	168.99 172.48	175.69 180.74
Maple Leaf Sig. #4		184.14	182.00 186.62	165.92 176.51	170.74 174.39	165.09 171.26	167.70 173.00	167.70 171.17	172.87 177.96
Soymeal Winnipeg Delivered	783	783	457	440	440	437	434	434	
Corn Winnipeg. Delivered	160	162							

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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