



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

# Hog Margin Outlook

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Tuesday, September 02, 2014

**Forward contract prices opened higher this morning.** US cash markets are called to open this holiday reduced production week higher with tight supply providing most of the support. Last week, hog slaughter was more than 200,000 hogs smaller (-10%) compared with the same week one year ago, which resulted in total pork production running nearly 6% under year ago levels. This reflects a break in the trend with Friday's slaughter of 330,000 the smallest since August 1<sup>st</sup>. Hog carcass weights are unlikely to see the same year over year gains as we have seen in the last 3 months, which means the market may be on the verge of its biggest 'hole' in pork production for the year. Last week, nearby Lean Hog futures gained close to \$6.00/cwt with traders responding to evidence that the cash market has bottomed out for the near term. However, the Commitment of Traders report still shows a large 'Net Long' position by the funds that could be at risk of being sold as prices appreciate. The 2015 spring and summer prices are not reflecting significant supply deficits due to PED, but there are still concerns about a surge in positive cases of the disease as we move into the cooler fall months.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading higher. The turn higher is actually a bit unconventional given supply outlooks buoyed domestically by bearish weather patterns. Talk of today's 'bounce' stems from a technical oversold condition as well as some minor concerns of crop development relative to expectations. Nevertheless, there is talk that next year's ending stocks could top 500 million bu. and expectations of a large S. American crop pressuring the trade overall.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading higher. As with soybeans, the expected record-high corn supply is influencing a bearish bias in the trade generally. However, technical indicators suggest an oversold condition (also like soybeans) and there are some concerns of regional flooding in the southern portion of the WCB that are somewhat supportive. Crop progress will not be reported until after trading as a result of the Labour Day holiday.

US Slaughter	
1.979 mil.	Last Week
2.208 mil.	Last Week (year ago)
W. Corn Belt	\$91.53
National Price	\$96.57
Daily Sig 3	\$182.17
Daily Sig 4	\$186.11
Thunder Creek	\$183.89
4-Month Fwd.	\$179.46
<b>B of C Ex. Rate (Noon)</b>	
\$1.0858 CAD/ \$0.9209 USD	
<b>Cash Prices Week Ending August 29, 2014</b>	
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	\$57.37 US Avg.
Feeder Pigs	\$77.70 US Avg.
#1 Export Sows (+500lbs)	\$72.00/cwt. tagged

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		189.96 196.48	171.68 179.72	173.19 179.21	169.35 174.88	169.39 176.39	170.90 174.42	174.25 177.26	176.62 183.63	181.63 187.64
Maple Leaf Sig. #4		189.59 194.25	174.81 182.00	176.17 179.86	168.18 174.42	169.39 175.39	169.39 173.09	172.43 174.56	174.04 182.19	180.44 183.16
Soymeal Winnipeg Delivered	785	463	440	440	446	442	442			
Corn Wpg, Delivered	162									

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