



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

Hog Margin Outlook

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Wednesday, September 03, 2014

Forward contract prices opened mixed this morning. US cash markets are starting to stabilize amid tightening supplies and improving cutout values. A larger than expected drop in slaughter relative to previous year last week (taking the holiday into consideration) came in 0% below year-ago levels. ISM and WCB reporting regions saw strength return adding \$0.71 and \$1.56 USD/cwt. respectively. The National reporting region continued to come under pressure by \$0.70. The cutout value was \$0.60 higher over Friday's valuation but still down \$0.22 from the previous week. Lean hog futures showed some strength yesterday. There is a school of thought that the recent volatility has been due to an emotional marketplace exacerbated by a lack of 'good' supply-side information. Amid this uncertainty, corrections are just as likely to add to the volatility and make for a choppy trade. Nonetheless, there is a general consensus that the recent highs were simply 'too high' and that the more recent forwards better reflect fundamentals despite a continued uncertain tone in the marketplace.

Canadian delivered soymeal prices opened lower this morning. For the first time since the middle of August, the old crop contract is trading lower this morning. However, despite some modest price relief for feed users in the base price, interior basis for meal is not yet following suit, due in part to supply and demand dynamics in the US interior (the source of meal for many prairie producers) that have not fundamentally changed. There is still talk of shortages ahead of the new crop. Pressure comes from improvements noted in the Crop Progress report and reports of expected yields at 47.6 bpa from a private firm (current USDA = 45.4 bpa).

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Pressure comes from a variety of sources including talk of calming tensions between Russia and Ukraine, a Crop Progress report showing improvements in the good/excellent category (74% compared to 73% last week and a 57% 10-year average), and a release from a private firm suggesting corn yields will reach 171.4 bpa on currently available information. Comparatively, the USDA has pegged the new crop yield slightly below 170 bpa, but the general consensus is that this will be revised upward in subsequent reports.

US Slaughter	
420,000	Tuesday
433,000	Tuesday (year ago)
W. Corn Belt	\$93.09
National Price	\$95.87
Daily Sig 3	\$186.42
Daily Sig 4	\$185.91
Thunder Creek	\$186.44
4-Month Fwd.	\$178.26
B of C Ex. Rate (Noon)	
\$1.0925 CAD/ \$0.9153 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	\$57.37 US Avg.
Feeder Pigs	\$77.70 US Avg.
#1 Export Sows (+500lbs)	\$62.00/cwt. tagged

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		188.17 194.67	170.37 178.37	171.87 177.87	168.95 177.87	169.41 175.99	170.92 174.44	175.19 178.21	177.81 184.86	182.85 188.89
Maple Leaf Sig. #4		187.84 192.49	170.79 180.67	174.86 178.54	167.79 174.02	169.41 175.00	169.41 173.11	173.36 175.50	175.21 183.40	181.65 184.38
Soymeal Winnipeg Delivered	774	454	437	437	436	432	432			
Corn Wpg, Delivered	162									

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