



Hog Margin Outlook

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Friday, September 05, 2014

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

US Slaughter	
405,000	Thursday
433,000	Thursday (year ago)
W. Corn Belt	\$96.76
National Price	\$95.02
Daily Sig 3	\$192.67
Daily Sig 4	\$183.22
Thunder Creek	\$192.77
4-Month Fwd.	\$180.08
B of C Ex. Rate (Noon) \$1.0863 CAD/ \$0.9205 USD	
Cash Prices Week Ending September 05, 2014	
Signature 3	84.94/187.25
Signature 4	83.75/184.63
h@ms Cash	83.07/183.13
Hylife	n/a
Thunder Creek	83.82/184.80
ISO Weans	\$57.37 US Avg.
Feeder Pigs	\$77.70 US Avg.
#1 Export Sows (+500lbs)	\$62.00/cwt. tagged

Forward contract prices opened higher this morning. US packers have increased their bids in an effort to meet their planned slaughter schedule this week out to Saturday. Hog supplies remain tight with tomorrow's slaughter estimated at about 90,000; i.e. making up less than one quarter of the deficit in slaughter resulting from Monday's Labour Day holiday. Producers are current with their marketings as evidenced by hog weights averaging 210 lbs., (or 9lbs heavier) than year ago levels. Lean Hog futures are factoring in a \$9.00/cwt. rally in the cash index over the next 6 weeks, a move that is counter the normal seasonal trend and reflective of the impact of PEDv on the market. However, most of the 2015 contracts traded limit down yesterday, the opposite direction of the nearby contract movement. The bearish move came from news that the drug company Zoetis was approved to sell its PED vaccine which will be available in late September. Evidence of the new vaccine's efficacy is limited, with many producers and veterinarians skeptical of its ability to 'manage' the disease. Currently, the spring and summer forward contract prices reflect a supply situation that forecasts a modest effect from PEDv, however in reality, significant uncertainty remains.

Canadian delivered soymeal prices opened mixed this morning. Following two days of pressure in the nearby contract, soybeans (and meal) are trading higher. September contracts remain choppy as buyers enter the market, leave once prices get 'too high', and re-enter to secure supplies after prices shift relatively lower again. It's a pattern that has been borne out over the last couple days and in part explains the brief old crop turn lower spurred by demand dynamics and weakening basis. New crop is called bearish overall, however, with pressure coming from good weather forecasts and private yield estimates surpassing 47 bpa.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. There are rumors of a jittery market as traders wait for new weather model updates; keeping an eye out for any real threats of frost. However, weather remains largely ideal and a bearish trade is expected if damaging frosts stay away for the next 10 days. The highest yield estimate for new crop ending stocks exceeds 2.2 billion bu. on 174 bpa (!), but it is unlikely the USDA will revise estimates quite that high in the next WASDE report released next Thursday.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		197.81 204.31	171.85 179.85	173.35 179.35	164.02 169.54	163.16 171.04	164.66 168.17	169.49 172.51	172.67 179.72	177.71 183.75
Maple Leaf Sig. #4		197.17 201.82	172.22 182.10	176.29 179.97	163.01 169.22	163.34 170.19	163.34 167.03	167.83 169.98	170.23 178.43	176.67 179.40
Soymeal Winnipeg Delivered	697	443	433	433	430	426	426			
Corn Wpg, Delivered	162									

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