

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

# Hog Margin Outlook

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Friday, September 12, 2014

## Forward contract prices opened mixed this morning. US

cash markets are finishing the week near steady, capping off another week of impressive gains. Packers have responded to tight hog supplies and hog carcass weights that are near their low for the year by increasing their bids by \$6.00/cwt over the last week. Wholesale pork prices have contributed positively to packer operating margins, with all of the primal cuts adding value throughout the week. Lean Hog futures experience a volatile week of trading, with a trading range of about \$5.00/cwt and showing no clear direction. Currently the October contract is trading at a modest premium to the cash market, with the trade believing that supplies will be constrained by spring losses from PEDv for at least a couple more weeks. 2015 contracts received a boost from yesterday's WASDE report, as the USDA pegged 2015 US production only 2.4% higher than this year, suggesting that the USDA believes that PEDv will still be a pervasive problem for the industry. Fixed forward prices have also benefitted from a weaker Canadian Dollar this week, dropping about a cent and a half on an improving outlook for the US economy and the prospect of higher interest rates.

## Canadian delivered soymeal prices opened lower this morn-

ing. US soybeans are in the midst of a corrective bounce following yesterday's bearish WASDE report; meal remains under pressure. Local spot prices for meal dropped ~\$20 CAD/MT (~\$60 since Wednesday). 2013/14 bean ending stocks inched lower to 130 million bu. but there are thoughts that crushers still operating will indeed make it to the end of the year as supply concerns subside somewhat. Global ending stocks estimates surpassed previous highs by 29%.

## Canadian delivered corn prices opened lower this morning. US corn

futures are trading higher as the market digests the information in the WASDE report. As with soybeans, the US trade turned lower following the release of the report that showed estimated yield at 171.7 bpa, within pre-report estimates and just slightly higher than the 170.7 average. There are thoughts that this number will still be revised higher in subsequent reports so long as damaging frost does not materialize.

Summary of pre- and WASDE Report Estimates			
	Measure	Pre-Avg Est	WASDE
Soybeans	Yield (bpa)	46.3	46.6
	Crop (bn bu)	3.894	3.913
	'14 Ending Stock	140 mil	130 mil
Corn	Yield (bpa)	170.7	171.7
	Crop (bn bu)	14.276	14.395
	'14 Ending Stock	1.181 bn	1.181 bn

Source, Meyer and Steiner, DLR; Bloomberg, USDA

US Slaughter	
411,000	Thursday
430,000	Thursday (year ago)
W. Corn Belt	\$102.58
National Price	\$99.79
Daily Sig 3	\$207.43
Daily Sig 4	\$195.41
Thunder Creek	\$207.49
4-Month Fwd.	\$180.30
<b>B of C Ex. Rate (Noon)</b>	
\$1.1032 CAD/ \$0.9064 USD	
<b>Cash Prices Week Ending September 12, 2014</b>	
Signature 3	92.03/202.89
Signature 4	86.15/189.93
h@ms Cash	85.47/188.43
Hylife	n/a
Thunder Creek	86.55/190.80
ISO Weans	\$58.79 US Avg.
Feeder Pigs	\$80.42 US Avg.
#1 Export Sows (+500lbs)	not available

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		199.46 203.02	175.96 184.06	177.45 183.55	171.96 177.57	171.39 179.09	172.92 176.49	177.45 180.51	178.43 185.58	183.54 189.66	183.57
Maple Leaf Sig. #4		197.48 200.44	174.89 184.94	179.03 182.77	169.98 176.29	171.00 177.28	171.00 174.75	175.20 177.37	175.45 183.57	181.78 186.73	180.22
Soymeal Winnipeg Delivered	667	430	419	416	414	414	414				
Corn Wpg, Delivered	155	155	163	168	168	168	171				

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STRENGTH IN NUMBERS

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Some Important h@ms Marketing Phone Numbers

Main Switchboard: 204-233-4991

Logistics Coordinator (Crystal): 204-235-2225

Forward Contracting: 204-235-2237

Toll Free: 1-800-899-7675