



Hog Margin Outlook

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Thursday, September 25, 2014

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

US Slaughter	
421,000	Wednesday
428,000	Wednesday (year ago)
W. Corn Belt	\$107.57
National Price	\$105.61
Daily Sig 3	\$218.67
Daily Sig 4	\$207.90
Thunder Creek	\$218.26
4-Month Fwd.	\$175.36
B of C Ex. Rate (Noon) \$1.1090 CAD/ \$0.9017 USD	
Cash Prices Week Ending September 20, 2014	
Signature 3	95.09/209.64
Signature 4	90.55/199.63
h@ms Cash	89.87/198.13
Hylife	90.37/199.23
Thunder Creek	93.08/205.20
ISO Weans	\$61.72 US Avg.
Feeder Pigs	\$81.54 US Avg.
#1 Export Sows (+500lbs)	\$55.00 cwt. Tagged

Forward contract prices opened higher this morning. US cash markets continue their bull trend, with packers benefitting from gross packer margins estimated at better than \$20/hog. The daily hog slaughter is running at a 3% deficit to year ago levels, but the Saturday kills continue to be where the largest deficit in numbers is seen and until more hogs become available, packers are hesitant to add hours. Traders are largely focused on tomorrow's release of the Hogs and Pigs report which is expected to reflect a transition to back to 'normal' supply conditions after peak losses were experienced about a month ago. The table to the right reflects the results of a survey of livestock market analysts completed by Dow Jones Newswire. Note that almost all analysts expect a larger breeding herd in tomorrow's report, and if confirmed by the report, most 2015 contracts would likely react with lower prices. However, significant uncertainty remains whether the industry can manage the spread of PEDv in the cooler winter months and actually realize that growth in hog numbers. The Canadian Dollar dropped to the lowest level in 6 months, with most traders concerned that the end to the US stimulus planned next month will likely be a drag on the Canadian economy.

Summary of Hogs and Pigs Report Estimates		
	Estimate	Range
All Hogs and Pigs	96.6 %	95.5%-97.5%
Kept for Breeding	101.4%	99.8%-104.7%
Kept for Marketing	96.2%	94.9%-97.0%

Source: Dow Jones, Meyer and Steiner, DLR

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower. Technical indicators influenced some support yesterday, but the thoughts that profit taking would materialize appear to have been borne out amid today's turnaround at opening. The USDA will release export sales later this morning but the general consensus is that the market already 'knows' what to expect. Soybean meal basis continues to weaken with the local basis softening another \$20 CAD/MT yesterday and a further \$40 this morning (!).

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Export numbers from the USDA are not expected to influence any major price action in the markets amid the current Chinese ban(s) and domestic production estimates that are at record levels. There are thoughts that corn is overbought and that the market really needs some fresh news for direction. The trade is expected to be under pressure barring any unforeseen weather or trade event until the next WASDE report on October 10.

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3			173.49 181.64	175.02 181.13	167.08 172.70	169.74 174.23	171.27 174.84	175.35 178.41	175.66 182.80	180.76 186.88	179.02 184.13
Maple Leaf Sig. #4			172.54 182.60	176.68 180.43	165.26 171.58	169.41 172.57	169.41 173.16	173.16 175.34	172.77 180.87	179.09 184.04	179.79 182.56
Soymeal Winnipeg Delivered	474	406	395	395	393	391	391				
Corn Wpg, Delivered	155	155	163	168							

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