



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, September 26, 2014

Forward contract prices opened mixed this morning. US

cash markets continued their bullish trend over the course of the last week, as packers benefit from very good profit margins due strong cutout values. Cash prices have recovered to levels not seen for a month, and are up nearly 20% from the low experienced in the first week of September. Tight hog supplies continue to be the prominent factor driving the market, but numbers do appear to be recovering at a pace quicker than experienced last year. Lean Hog futures could experience significant price swings ahead of this afternoon's Hogs and Pigs report, with the possibility of the nearby contracts moving one direction and the 2015 contracts moving the other. Producers should keep in mind that there is still significant uncertainty as to what the hog supply will be just two weeks from now, as PEDv losses in April were still reportedly quite high. Currently, the December contracts is trading at a discount to the cash market that is twice the 3 yr. average, with traders believing that supplies will grow significantly over the next 2 months.

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 lower this morning.

US soybeans are trading lower. News of 50+ bpa yields, above normal temperatures, and ideal finishing and harvesting weather continue to weigh on the trade. There is talk that as much as 125 million bu. could be added to an already high ending stock estimate (475 million bu.) if a 50 bpa yield average is realized. Support comes from uncertainty related to the potential for lost acreage and on news of strong exports (61% of USDA estimates compared to 57% last year). However, production estimates so far are more influential.

Canadian delivered corn prices opened even this morning. US

corn futures are trading lower. What otherwise could be considered supportive news for the trade yesterday was not enough to turn it around. Corn is technically oversold and there was talk that acreage in the US could be cut by as much as 5 million acres. As well export sales were bullish yesterday keeping the downside in check. However, in a familiar refrain, reports from the field keep showing that weather remains near ideal and of impressive yields (200+ bpa in some reporting regions) which has offset the upside potential to this point.

US Slaughter	
412,000	Thursday
426,000	Thursday (year ago)
W. Corn Belt	\$107.32
National Price	\$106.09
Daily Sig 3	\$218.47
Daily Sig 4	\$209.13
Thunder Creek	\$218.82
4-Month Fwd.	\$175.36

B of C Ex. Rate (Noon)	
\$1.1106 CAD/	\$0.9004 USD

Cash Prices Week Ending September 26, 2014	
Signature 3	98.10/216.27
Signature 4	93.36/205.82
h@ms Cash	92.68/204.32
Hylife	n/a
Thunder Creek	95.44/210.40

ISO Weans	\$61.72 US Avg.
Feeder Pigs	\$81.54 US Avg.
#1 Export Sows (+500lbs)	\$55.00 cwt. Tagged

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3			173.59 181.78	175.12 181.26	167.22 172.87	169.58 174.41	171.12 174.71	174.68 177.75	176.11 183.27	181.22 187.36	180.23 185.36
Maple Leaf Sig. #4			172.66 182.77	176.82 180.58	165.41 171.77	169.29 172.76	169.29 173.06	172.52 174.70	173.21 181.33	179.55 184.50	180.99 183.78
Soymeal Winnipeg Delivered	472	404	394	394	392	390	390				
Corn Wpg, Delivered	155	155	163	168							

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