



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, October 08, 2014

Forward contract prices opened mixed this morning. US cash markets have come under some pressure as the availability of live hog supplies has improved for packers, allowing them to secure nearly 430,000 hogs for slaughter in yesterday's trade. However, the pork cut-out is still providing strong incentive for packers to maximize their slaughter schedule as wholesale pork is trading at the highest level in 2 months. Hog supplies are the key to price trends over the next month as uncertainty remains concerning how long the current 5% deficit in numbers will be maintained. Lean Hog futures are taking their lead from the cash market and have maintained a choppy trade, reflecting the lack of consensus on the near term price trend. The latest USDA pork export sales figures suggest that the higher prices have impacted sales considering that August sales volumes dropped close to 12% from year ago levels. However, this reduction was not totally unexpected as August pork production was down more than 5% from year ago levels.

Canadian delivered soymeal prices opened higher this morning. The US soybean trade is showing some strength ahead of Friday's WASDE report as traders cover short positions. The nearby contract is now over \$9.40 USD/bu. from lows of \$9.06 just last week. It is a widely held view that beans could trade under \$9.00 if the new crop maintains its high yield estimates; beans were trading at \$12.78 in May (!). Pre-report estimates are starting to come in and show estimated average yields at 47.7 bpa (46.6 in Sept.) producing 3.992 billion bushels.

Canadian delivered corn prices opened even this morning. US corn futures are showing strength that has largely been a function of technical short covering. The general consensus is that the 'bottom' usually materializes later in the harvest, when supplies start to flood the market, despite being on a steady decline since May. Many in the trade have commented on sub \$3.00 corn as some point this year. Pre-WASDE estimates reported by Bloomberg indicate the national average to be around 175 bpa (171.7 in Sept.) producing 14.552 billion bushels.

US Slaughter	
428,000	Tuesday
432,000	Tuesday (year ago)
W. Corn Belt	\$108.05
National Price	\$108.65
Daily Sig 3	\$221.47
Daily Sig 4	\$215.65
Thunder Creek	\$221.24
4-Month Fwd.	\$181.53
B of C Ex. Rate (Noon)	
\$1.1182 CAD/ \$0.8942 USD	
Cash Prices Week Ending October 04, 2014	
Signature 3	100.66/221.92
Signature 4	96.73/213.25
h@ms Cash	96.05/211.75
Hylife	96.16/211.99
Thunder Creek	98.97/218.20
ISO Weans	\$66.33 US Avg.
Feeder Pigs	\$84.94 US Avg.
#1 Export Sows (+500lbs)	\$53.00 cwt. Tagged

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		181.73 186.36	181.21 187.39	174.73 180.40	175.08 181.95	176.63 180.24	180.65 183.74	183.85 191.06	189.00 195.18	187.22 192.91
Maple Leaf Sig. #4		178.57 185.94	182.75 186.54	172.30 178.69	174.04 179.69	174.04 177.83	177.73 179.93	180.13 188.31	186.51 191.50	187.11 190.51
Soymeal Winnipeg Delivered	423	403	403	406	402	402				
Corn Wpg, Delivered	146	146	146							

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Contact Andy
Cell: 204-868-0419
Toll Free: 1-844-834-2702 ext. 235

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