



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

Hog Margin Outlook

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Thursday, October 16, 2014

Forward contract prices opened lower this morning. US cash markets traded sharply lower yesterday while packer profitability remains very good. The hog supply so far this week is running almost exactly at year ago levels, which has triggered packers to pull back their cash bids. The pork cut-out experienced weakness earlier in the week; ham, belly and loin primal cuts have lost approximately 5% of their value, representing a sharp divergence from the recent bullish trend. Response to the cash market weakness from the futures market was decisively lower trade yesterday with the majority of the contracts locked limit down most of the day. 2015 contracts are experiencing very little influence from the cash market trend of 2014. The February forward prices are trading near where the Feb 2014 cash market was, while June is trading at a \$50/ckg discount to the cash prices experienced last summer. The discount built into the deferred month contracts is difficult to reconcile, when the impact of PEDv is far from certain. The latest PEDv update from the American Association of Swine Veterinarians showed the number of positive cases increase to 61 for the week of Oct 5, up from the previous week's total of 54.

Canadian delivered soymeal prices opened higher this morning. The combination of Columbus Day and a number of reports released in quick succession has added to some mixed market messages. WASDE numbers (below) show a picture of a little less beans than expected, but there are still over 4x ending stocks projected relative to 2013/14. Technical positioning, harvest delays and thoughts that China may be a major US customer are contributing to recent support, but a good growing season for large S. American crops could limit the upside further out.

Canadian delivered corn prices opened even this morning. US corn continues to see pressure despite some periodic rallies that are thought to be technical positioning and subsequent profit taking opportunities. The WASDE report generally did not move the market significantly, merely confirming what has been expected; a very large US crop accompanied by ending stocks over 2+ billion bu. No resolution to the Chinese ban of corn and DDGs is also pressuring but could turn around quickly if certain US varieties become approved.

US Slaughter	
428,000	Wednesday
432,000	Wednesday (year ago)
W. Corn Belt	\$102.40
National Price	\$108.10
Daily Sig 3	\$211.89
Daily Sig 4	\$216.61
Thunder Creek	\$211.40
4-Month Fwd.	\$171.39
B of C Ex. Rate (Noon) \$1.1289 CAD/ \$0.8858 USD	
Cash Prices Week Ending October 10, 2014	
Signature 3	100.30/221.13
Signature 4	97.88/215.79
h@ms Cash	97.20/214.29
Hylife	97.26/214.41
Thunder Creek	100.65/221.90
ISO Weans	\$69.43 US Avg.
Feeder Pigs	\$87.17 US Avg.
#1 Export Sows (+500lbs)	\$58.00 cwt. Tagged

Summary of WASDE Report				
	Avg Est for Oct	Sept WASDE	Oct WASDE	
Soy	Yield	47.6	46.6	47.1
	Crop (bn bu)	3.977	3.913	3.927
	Ending Stocks	478 mil.	475 mil.	450 mil.
Corn	Yield	174.7	171.7	174.2
	Crop (bn bu)	14.523	14.395	14.475
	'14 Ending Stock	2.144bn	2.002bn	2.081bn

Source, DTN, USDA

Fixed Forward Range (at opening)	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Maple Leaf Sig. #3		170.57 175.23	172.13 178.34	164.77 170.48	165.23 172.04	166.78 170.42	171.30 174.43	175.01 182.29	180.21 186.45	179.95 185.69	176.83
Maple Leaf Sig. #4		170.39 176.01	174.60 178.42	163.28 169.71	165.13 170.72	165.13 168.95	169.31 171.53	172.19 180.45	178.64 183.68	179.71 184.16	176.18
Soymeal Winnipeg Delivered	441	441	441	434	426	426	426				
Corn Wpg, Delivered	153	153	153								

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