



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

Hog Margin Outlook

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Wednesday, November 19, 2014

Forward contract prices opened higher this morning. US cash markets have been trading firm so far this week, but could be at risk of weakness due to the influence of declining wholesale pork prices. The pork cut-out fell close to \$1.50/cwt yesterday, largely in response to the ham primal dropping approximately 7% of its value. It is not uncommon to see a short-lived lull in ham values at this time of year as Thanksgiving demand has been met and processors use this as an opportunity to lower their cost base ahead of the Christmas sales. Lean Hog futures turned lower in trade yesterday, with pressure coming from cash market fundamentals, but spring and summer month contracts are trading only slightly lower than their 4 month highs. This timeframe is vulnerable to significant volatility, in response to developments in the spread of PEDv. The market awaits another update on the number of positive cases before the end of the week, and the market reaction could be significant in either direction. Producers should look to mitigate a portion of this risk and secure their margins by fixing some of their hog and feed price exposure.

Canadian delivered soymeal prices opened lower this morning. Thoughts that US crushers are securing supplies on fresh NOPA crush data, evidence that east coast end users are switching to S. American variants, and news that cancellations have exceeded orders for 2014/15 by some 100,000 MT is all weighing on the trade. The negative export sales number suggests that global customers are also attempting to secure supplies from other producers such as Argentina and Brazil. Nevertheless, demand is strong and US logistics remain challenging keeping meal prices supported.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. There is talk that the recent 'weakness' in the soybean complex is bearing weight on the corn trade, in part, due to the competition from soymeal on the narrowing DDG/soymeal spread. Weather in the northern Midwest has not been ideal and there is talk that the recent bout of cold weather (more in line with winter conditions) will not 'significantly' damage standing corn, but that the remainder of the harvest in some of the northern states could be delayed.

US Slaughter	
426,000	Tuesday
438,000	Tuesday (year ago)
W. Corn Belt	\$87.13
National Price	\$87.95
Daily Sig 3	\$180.55
Daily Sig 4	\$176.47
Thunder Creek	\$180.58
4-Month Fwd.	\$178.98
B of C Ex. Rate (Noon)	
\$1.1305 CAD/ \$0.8846 USD	
Cash Prices Week Ending November 15, 2014	
Signature 3	180.14/81.71
Signature 4	176.15/79.90
h@ms Cash	174.65/79.22
Hylife	174.64/79.22
Thunder Creek	179.80/81.56
ISO Weans	\$68.79 US Avg.
Feeder Pigs	\$83.51 US Avg.
#1 Export Sows (+500lbs)	\$70.00 cwt. Tagged

Fixed Forward Range (at opening)	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3		173.91 178.07	173.58 179.31	177.43 180.87	179.00 182.64	183.54 186.67	188.20 195.51	193.42 199.69	191.88 197.62	177.85 188.86	169.50
Maple Leaf Sig. #4		176.57 178.38	170.81 177.27	175.76 178.28	175.76 179.59	179.76 181.98	183.56 191.85	190.03 195.09	189.85 194.30	179.39 185.91	175.76
Soymeal Winnipeg Delivered	509	505	485	465	465	460					
Corn Wpg, Delivered	166										

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