



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

Hog Margin Outlook

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Friday, November 21, 2014

Forward contract prices opened lower this morning. US cash markets are finishing the week with lower bids despite firmer pork product markets. Hog supplies continue to come up short when compared to year ago levels, averaging a 3+% deficit from year ago levels. September's Quarterly Hogs and Pigs report estimated market hog numbers at this time to be down only about 2% from year ago levels. However, heavy carcass weights have made up most of that production shortfall. Lean Hog futures are trading lower this morning after choppy trade over the last several days. The broader market trend has been higher, with the spring and summer months gaining more than 8% of their value over the last month. This has happened despite a lack of evidence showing that PEDv cases could experience another seasonal spike. The latest PEDv update is expected later today which could influence deferred month hog futures significantly. With all of the uncertainty relating to supply (PEDv and growth in the breeding herd) and demand (export sales, competing meat prices), current forward prices represent fair value.

Canadian delivered soymeal prices opened higher this morning. US soybean futures and meal futures are trading higher although meal is more two-sided and choppy. There is talk of pre-Thanksgiving profit taking (especially) next week heading into the 'long weekend' amid generally bearish fundamentals – Thanksgiving in the US is on a Thursday, and although markets are open Friday, many are expecting low volumes as traders take an extra day. There is also talk that US meal is now at a competitive disadvantage in the world markets suggesting further price pressure in the short term.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Strength in wheat and the soybean complex, decent demand from the ethanol sector and export sales coming in above expectations at 578,800 MT are factors that are supportive to the corn trade this morning. Support also comes amid talk that US farmers have been reluctant to sell among the current lows. As with soybeans, however, US corn fundamentals further out remain largely bearish and there is talk that the upcoming long weekend could influence some profit taking and/or position liquidation early next week.

US Slaughter	
430,000	Thursday
436,000	Thursday (year ago)
W. Corn Belt	\$85.75
National Price	\$88.28
Daily Sig 3	\$177.80
Daily Sig 4	\$177.26
Thunder Creek	\$174.49
4-Month Fwd.	\$176.05
B of C Ex. Rate (Noon)	
\$1.1312 CAD/ \$0.8840 USD	
Cash Prices Week Ending November 22, 2014	
Signature 3	179.67/81.50
Signature 4	176.52/80.07
h@ms Cash	175.02/79.39
Hylife	n/a
Thunder Creek	179.30/81.33
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		169.64 173.76	170.05 175.72	174.44 177.27	175.99 179.60	180.60 183.70	187.16 194.40	192.33 198.54	192.83 198.57	178.99 189.91	170.64
Maple Leaf Sig. #4		172.35 174.14	167.36 173.76	172.82 174.76	172.82 176.61	176.89 179.09	182.54 190.75	188.95 193.96	190.77 195.22	180.50 186.93	176.87
Soymeal Winnipeg Delivered	506	506	502	486	486	469					
Corn Wpg, Delivered	166										

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