



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, December 04, 2014

Forward contract prices opened lower this morning. US cash markets are maintaining a sideways trend. Packers are looking to increase production ahead of Christmas, but are facing shrinking operating margins due to weakness in some primal cuts. Hog slaughter has been averaging levels close to 3% lower than a year ago, a larger deficit than was forecast by the USDA. However, hog carcass weights are only 1.5% heavier than the same time last year, resulting in a 2% deficit in pork production. Considering cash prices are running about 7-8% higher than year ago levels, the market is trading at relatively fair value from a supply standpoint. Lean Hog futures have lost about 6% of their value over the last three weeks and are experiencing more price pressure from the funds who are thought to be selling out of their large 'net long' positions. Significant price uncertainty remains with the following factors at play: growth in the breeding herd; PEDv impact; high beef prices; and a high US Dollar. Producers looking for price protection on their 2015 production should consider setting price targets on 20% of their weekly production at \$10/kg price intervals.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading higher. There is talk that this recent bounce is in part a result of talk of a 'recovery' after a drop from last week leading to an oversold condition; bearish weather in S. America, talk that US farmers are looking to sell ahead of the holiday and technical indicators suggest further downside is in the works. Private and USDA estimates for Brazilian production converge at ~93 MMT, a new record. Local meal customers are reminded to factor ongoing logistics issues in their purchase plans and expect delays.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. AS with soybeans, the recent bounce in corn is generally considered to be a profit taking opportunity amid a demand outlook for US corn that is less than stellar and decent (albeit lowered) prospects for S. American production especially as the weather appears to be cooperating in most regions for now; getting wetter where soil moisture is needed and drying out where planting progress needs to be sustained. Demand from ethanol is on pace to meet USDA projections but the low cost of crude could pressure that estimate in the short term.

US Slaughter	
428,000	Wednesday
435,000	Wednesday (year ago)
W. Corn Belt	\$85.78
National Price	\$88.13
Daily Sig 3	\$178.62
Daily Sig 4	\$177.70
Thunder Creek	\$178.39
4-Month Fwd.	\$171.19
B of C Ex. Rate (Noon)	
\$1.1360 CAD/ \$0.8802 USD	
Cash Prices Week Ending November 29, 2014	
Signature 3	178.81/81.11
Signature 4	176.07/79.86
h@ms Cash	174.57/79.18
Hylife	174.65/79.22
Thunder Creek	179.30/81.33
ISO Weans	\$72.27 US Avg.
Feeder Pigs	\$86.57 US Avg.
#1 Export Sows (+500lbs)	\$64.00 cwt. Tagged

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3		164.46 170.22	167.77 171.79	169.34 173.00	173.76 176.90	181.76 189.09	187.00 193.28	186.22 191.99	177.28 184.82	160.51 168.89
Maple Leaf Sig. #4		162.00 168.48	166.41 169.49	166.41 170.26	170.29 172.52	177.33 185.65	183.82 188.89	184.39 188.86	178.87 182.02	162.03 175.22
Soymeal Winnipeg Delivered	523	483	466	466	459					
Corn Wpg, Delivered	166									

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