



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

Hog Margin Outlook

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Wednesday, December 10, 2014

Forward contract prices opened mixed this morning. Packers are looking to add supplies to fill out this week's schedule, which could lead to some support in US cash prices to end the week. Hog supplies continue to be short of year ago levels by more than 3% and total pork production still running a deficit of close to 2.5% from levels seen in early December 2013. This shortage continues to be a primary support to the cash market, but U.S. consumer demand has also been strong through the month of October with purchases reflecting a 10% increase in prices paid for pork. However, there is some evidence that consumers are seeking alternatives recently, with the price premium for pork products shrinking over the last two months. Lean Hog futures for the first half of 2015 have fallen 7-10% over the last two weeks, with concern coming from significant supply growth. Uncertainty relating to both supply and demand factors will continue to contribute to a 'choppy' price trend. Producers looking for protection in 2015, should consider setting targets approximately \$5-\$10/c/kg higher than current forward prices.

Canadian delivered soymeal prices opened higher this morning. The market has been showing some recent strength on thoughts that US ending stocks could be revised lower today (WASDE released at 11:00 AM central) and strong export demand. However, the recent rise could ultimately be a good selling opportunity for those so positioned as CONAB has revised its production estimates for Brazil some 5.3MMT upward in a surprise move that could shift bias to a bearish market for the mid to longer term. Despite this, the US is still plagued by logistics problems meaning local producers should expect high meal prices and delays for the short term.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower after seeing some recent strength. Today's pre-WASDE report estimates indicate the trade generally thinks ending stocks will be revised upward. However, the December WASDE is generally not considered to be a significant market mover historically, and this morning's move lower appears to be more influenced by the current fundamental picture, commodities prices, and good weather in S. America rather than any pre-report positioning. Nevertheless, there have been surprises in past reports and traders will eagerly await the mid-trade report for fresh news.

US Slaughter	
429,000	Tuesday
437,000	Tuesday (year ago)
W. Corn Belt	\$84.91
National Price	\$87.91
Daily Sig 3	\$177.77
Daily Sig 4	\$178.22
Thunder Creek	\$177.29
4-Month Fwd.	\$168.45
B of C Ex. Rate (Noon)	
\$1.1422 CAD/ \$0.8755 USD	
Cash Prices Week Ending December 06, 2014	
Signature 3	179.02/81.20
Signature 4	177.74/80.62
h@ms Cash	176.24/79.94
Hylife	176.15/79.90
Thunder Creek	179.20/81.28
ISO Weans	\$74.77 US Avg.
Feeder Pigs	\$87.60 US Avg.
#1 Export Sows (+500lbs)	n/a this week (Tagged)

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		167.34 168.92	166.54 170.50	168.12 171.80	172.57 175.74	180.59 187.98	185.87 192.20	186.47 192.30	178.95 186.79	161.99 170.47	164.11
Maple Leaf Sig. #4		163.98 167.25	165.25 168.27	165.25 169.12	169.15 171.40	176.20 184.58	182.74 187.85	184.67 189.19	180.57 183.96	161.69 176.88	163.13
Soymeal Winnipeg Delivered	562	510	492	492	485						
Corn Wpg, Delivered	182										

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