



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

# Hog Margin Outlook

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Monday, December 15, 2014

**Forward contract prices opened lower this morning.** US cash markets are starting this week with firm cash bids as strong packer margins are providing an incentive for packers to compete for the limited number of market ready hogs. Last week's slaughter was estimated at 2.254 million head, down close to 3% from year ago levels. However, carcass weights continue to mitigate some of the deficit in pork production, resulting in weekly pork production numbers that are reportedly down by 2% from last year at this time. Nearby Lean Hog futures experienced a drop of 8% - 9% over the last two weeks, with funds selling out of the net long position contributing to the weakness. In fact, hedge funds sold more than 12% of their net long position over the last 2 weeks, one of the most abrupt changes in their position in 2014. Fundamental factors have also contributed to the recent weakness, with a diminishing number of PEDv cases reported, evidence of a growing breeding herd and weaker beef prices all bearish influences. Producers should consider pricing a portion of their 2015 production at current prices, and should recognize next Tuesday's release of the USDA Hogs and Pigs as a critical factor in near term price trends.

**Canadian delivered soymeal prices opened higher this morning.** US soybean futures are trading higher. Cooperative weather in South America maintaining relatively high production estimates and expectations of export demand softness for US beans in Q1 has not been enough to curb the recent upward trend in the short term, although these factors should pressure further out. The market expects some good sales numbers to China this week (supporting nearby contracts), and there is talk the Farm Service Agency will reduce acreage numbers in a report released later this week (potentially supporting deferred contracts).

**Canadian delivered corn prices opened higher this morning.** US corn futures are trading higher. As with soybeans, good production estimates for both North and South America are viewed to pressure the deferred contracts. But recent support from wheat and soybeans as well as technical indicators have been propping the trade. There is also talk this morning that the Ukraine is struggling to meet export obligations and that China could approve a previously banned variety "very soon", an issue that has been viewed largely as a bi-lateral trade dispute.

US Slaughter	
2.254 mil.	Last Week
2.322 mil.	Last Week (year ago)
W. Corn Belt	\$81.12
National Price	\$87.40
Daily Sig 3	\$171.59
Daily Sig 4	\$179.02
Thunder Creek	\$175.14
4-Month Fwd.	\$169.29
<b>B of C Ex. Rate (Noon)</b>	
\$1.1540 CAD/ \$0.8665 USD	
<b>Cash Prices Week Ending December 13, 2014</b>	
Signature 3	177.33/80.44
Signature 4	178.75/81.08
h@ms Cash	177.25/80.40
Hylife	177.07/80.32
Thunder Creek	178.70/81.06
ISO Weans	\$75.71 US Avg.
Feeder Pigs	\$88.42 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		165.09 166.69	163.38 168.28	164.98 168.71	169.62 172.82	178.70 186.17	184.04 190.45	184.19 190.07	177.35 184.83	160.63 169.18	162.73
Maple Leaf Sig. #4		161.83 165.13	162.24 166.16	162.24 166.16	166.32 168.60	174.39 182.87	181.01 186.18	182.50 187.06	179.19 182.09	160.42 175.73	161.83
Soymeal Winnipeg Delivered	552	528	502	502	491	491					
Corn Wpg, Delivered	190										

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