



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

Hog Margin Outlook

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Thursday, December 18, 2014

Forward contract prices opened higher this morning. US cash markets were lower across all reporting regions yesterday, pressured by further weakness in wholesale pork prices. In addition, a collapse in beef prices over the last week has contributed to ideas that the pork market needed to 'reset'. The deficit in US pork production from last year continues to run at 2% - 3%, but prices are now similar to year ago levels, implying that fundamental support is likely nearby. With the weaker cash market trend and a bearish influence from cattle, Lean Hog futures have been under pressure this week. However, most of the 2015 contracts were already discounted from the cash market compared to the normal seasonal trend, a possible reason that the 2015 contracts have recovered a good portion of yesterday's losses already this morning. As we approach Tuesday's release of the Hogs and Pigs report, 2015 contracts are likely to continue in a choppy, volatile trend, providing some opportunities to acquire better price protection. Producers should consider pricing as much as 25% of the first 6 months of 2015 production, as uncertainty and market psychology could result in further weakness.

Headingley Main Office	h@ms Holiday Schedule	Winnipeg Livestock (WLS)
8:00AM – 3:00 PM	Dec. 24 (Wed.)	8:30AM – 12 noon
Closed	Dec. 25 & 26 (Thurs. & Fri.)	Closed
8:00AM – 3:00 PM	Dec. 31 (Wed.)	8:30AM – 12 noon
Closed	Jan. 1 (Thurs.)	Closed

Canadian delivered soymeal prices opened higher this morning. The market still maintains that large production estimates will make their way into the supply pipeline, pressuring prices - at some point. For now, the complex has shaken off any bearish pressure and remains supported amid strong demand, strong meal demand, and talk that Argentine weather could start to challenge crop development. While Brazil is seeing enough moisture and is having a 'fine spring', there is now talk of dryness on the horizon for Argentina and potential downgrades to production estimates.

Canadian delivered corn prices opened higher this morning. Strength in wheat and soybeans is supporting US corn this morning along with the continued expectation that an end to the Chinese ban on corn and DDGs will see an increase in demand from the region. As well, there is talk that record ethanol output is sustaining demand for corn, noting an increase in production by 2,000 barrels per day to a record 990,000 bbl./day for the sector last week. Export sales are expected to be lower than last week's 962,000+ MT, adding some pressure.

US Slaughter	
430,000	Wednesday
439,000	Wednesday (year ago)
W. Corn Belt	\$77.67
National Price	\$85.46
Daily Sig 3	\$165.56
Daily Sig 4	\$176.40
Thunder Creek	\$165.13
4-Month Fwd.	\$166.62
B of C Ex. Rate (Noon)	
\$1.1629 CAD/ \$0.8599 USD	
Cash Prices Week Ending December 13, 2014	
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		162.10 163.70	160.61 165.30	162.21 165.94	166.86 170.07	177.41 184.89	182.76 189.17	183.76 189.65	176.33 184.25	159.19 167.76	161.76
Maple Leaf Sig. #4		158.94 162.24	159.56 163.28	159.56 163.48	163.66 165.94	173.14 181.63	179.77 184.95	182.10 186.66	178.11 181.54	159.03 174.38	160.91
Soymeal Winnipeg Delivered	545	520	495	495	485	485					
Corn Wpg, Delivered	191										

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