



Hog Margin Outlook

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Monday, December 22, 2014

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

Forward contract prices opened mixed this morning.

US cash markets are expected to start this holiday shortened production week with bids steady to lower than where they finished last week. Packer bids declined to their lowest level in 11 months, despite production still being constrained by PED losses experienced 6 months ago. However, the focus of most traders and analysts in the industry is on tomorrow's release of the USDA Hogs and Pigs report. According to a survey of analysts completed by Urner Barry last week and included in the table on the right, the report is expected to show significant growth in the breeding herd and a shift in market hog numbers compared to year ago levels. In fact, if tomorrow's breeding herd number resembles analysts' expectations, it will represent the largest year over year increase in 10 years. When one factors in the additional uncertainty relating to PEDv losses, and export demand over the next 10 months, the range of possible price outcomes is substantial. Producers should consider taking price protection on as much as 20% of their 2015 production.

Summary of Hogs and Pigs Report Estimates

	Estimate	Range
All Hogs and Pigs	101.5%	100.8%-102.5%
Kept for Breeding	103.0%	102.0%-103.5%
Kept for Marketing	101.3%	100.6%-102.4%
< 50 lbs.	103.7%	102.5%-105.8%
50-119 lbs.	102.7%	101.2%-104.4%
120-179 lbs.	99.4%	97.8%-101.0%
> 180 lbs.	97.5%	94.4%-99.6%
Pig Crop	103.3%	102.4%-104.4%

Source: Dow Jones; Meyer and Steiner, DLR

Canadian delivered soymeal prices opened higher this morning.

Argentine issues with dryness are expected to be resolved as showers enter critical growing areas; Brazil soil moisture remains good. A private analytics firm has estimated that 2015/16 US acreage could almost double current ending stock estimates for a record 730MMT. The COT report last week showed a decrease in net long positions for beans and meal. In sum, there are thoughts that the current highs may be reached. However, local meal is high and will likely remain high until news that excess supplies in the US interior materializes.

Canadian delivered corn prices opened higher this morning.

US corn futures are trading higher. Corn has seen some support recently amid talk of the Chinese ban being lifted, some uptick in export volumes (despite being down 18.5% from last year), the COT report last Tuesday showing speculative traders increased net long positions in corn, and suggestions that next year's corn crop (2015/16) could see lowered acreage as farmers shift from corn to soybeans. There is some pressure from an Argentine crop progress reports that shows 60% complete (65% last year) and improving Argentine weather.

US Slaughter	
2.298 mil.	Last Week
2.365 mil.	Last Week (year ago)
W. Corn Belt	\$77.04
National Price	\$83.12
Daily Sig 3	\$164.22
Daily Sig 4	\$171.56
Thunder Creek	\$164.62
4-Month Fwd.	\$168.87
B of C Ex. Rate (Noon)	
\$1.1629 CAD/ \$0.8599 USD	
Cash Prices Week Ending December 20, 2014	
Signature 3	168.31/76.34
Signature 4	177.02/80.30
h@ms Cash	175.52/79.62
Hylife	173.77/78.82
Thunder Creek	175.40/79.56
ISO Weans	\$76.11 US Avg.
Feeder Pigs	\$88.00 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		164.48	161.11	162.71	167.37	176.21	181.56	181.79	174.51	157.38	156.45
		164.48	166.08	166.45	170.58	183.70	187.98	187.68	182.22	165.95	160.22
Maple Leaf Sig. #4		160.52	160.04	160.04	164.15	171.98	178.61	180.19	176.35	157.28	156.92
		163.00	164.03	163.97	166.43	180.48	183.79	184.75	179.57	172.62	159.42
Soymeal Winnipeg Delivered	548	537	497	497	487	487					
Corn Wpg, Delivered	189										

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