



# Hog Margin Outlook

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Wednesday, December 31, 2014

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

**Forward contract prices opened mixed this morning.** US cash markets traded higher yesterday as packers needed to add to their bids in order to meet their planned production schedules. The holidays disrupted not only the plant's production, but also the delivery schedules of producers. With many producers still dealing with excess barn capacity due to PEDv losses, shipment of market ready animals can be delayed with the only consequence being heavier carcass weights. However, in the longer term, barn capacity is likely to be a constraint that will reduce slaughter hog weights with the projected increase in the herd over the next 8 months. Lean Hog futures are starting this morning higher across the board with influence coming from the higher trending beef market and firming cash market. There is significant uncertainty in prices going into 2015; supply factors of breeding herd expansion and PEDv losses are critical in determining whether prices can recover some of their recent losses. The market may be taking strong demand factors for granted over the last 6 months with a strong US economy and low oil prices likely contributing to the gains. However, a fast expanding chicken sector is a bearish factor that leaves questions about whether consumers will still be willing to pay higher prices for pork and beef.

Headingley Main Office	h@ms' New Year Schedule	Winnipeg Livestock (WLS)
8:00AM – 3:00 PM	December 31 (TODAY)	8:30AM – 12 noon
Closed	January 1 (Thurs.)	Closed

**Canadian delivered soymeal prices opened lower this morning.** Volumes remain relatively low as many traders have taken time off until the 5<sup>th</sup>. Support has come from the palm oil market which is facing production declines amid terrible weather in Malaysia (monsoons and floods), and strong exports. Pressure comes from a second bout of bird flu in Japan, good preliminary yield numbers from Brazil and weather in S. America that is supporting USDA projections. There are also thoughts of profit taking ahead of the New Year holiday, adding pressure.

**Canadian delivered corn prices opened even this morning.** The general consensus is that corn's recent turn lower is a corrective action following a general trend of support. China is expected to pick up some export slack which should add more support in the mid-to-longer term, but there are thoughts that US exports are still priced too high relative to global competition and that prices need to come down in order for export demand to pick up steam. There is preliminary talk that US corn acres could be below 90 million for the first time since 2010.

US Slaughter	
433,000	Tuesday
374,000	Tuesday (year ago)
W. Corn Belt	\$75.57
National Price	\$78.71
Daily Sig 3	\$160.67
Daily Sig 4	\$162.04
Thunder Creek	\$160.44
4-Month Fwd.	\$170.61
<b>B of C Ex. Rate (Noon)</b>	
\$1.1599 CAD/ \$0.8621 USD	
<b>Cash Prices Week Ending December 27, 2014</b>	
Signature 3	160.92/72.99
Signature 4	168.66/76.50
h@ms Cash	167.16/75.82
Hylife	167.06/75.78
Thunder Creek	165.70/75.13
ISO Weans	\$65.13 US Avg.
Feeder Pigs	\$87.13 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		163.00	161.62 164.60	163.22 166.94	167.86 171.06	179.37 186.83	184.70 191.09	185.39 191.27	175.87 185.99	158.76 167.31	156.79 160.52
Maple Leaf Sig. #4		161.55	160.52 162.58	160.52 164.44	164.61 166.88	175.04 183.50	181.64 186.80	186.66 188.22	177.66 183.21	158.60 173.93	157.20 159.68
Soymeal Winnipeg Delivered	545	534	489	489	478	478					
Corn Wpg, Delivered	189										

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