



Hog Margin Outlook

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Tuesday, February 03, 2015

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

Forward contract prices opened lower this morning. US cash markets continued to come under pressure yesterday as WCB, ISM and National reporting regions all saw decreases between 1/2 and 3/4 of a dollar US/cwt. Packers are having no trouble meeting their schedules as a result of ample supplies of heavy hogs; last week saw an almost 8% increase in pork production. As well, there is talk of slowing/slower demand in general, which is typical at this time of year. Export data has been less than stellar and there is no real demand story on the horizon although those developments can change without warning. The cutout came in at \$71.13 yesterday, its lowest level since 2012. Lean hog futures closed lower yesterday after a choppy opening and are sensitive to any news as uncertainty prevails. PEDv numbers, presumably due to better biosecurity practices, are lower than last year and will likely not have as great an impact on this summer's slaughter volumes. The Canadian dollar recovered some losses yesterday on news of oil price gains for the second consecutive day of trading, erasing some of the forward contract 'premium' seen recently; however, good value remains, especially in the fall and early winter months.

Canadian delivered soymeal prices opened lower this morning. US soybean futures turned around in the afternoon trade yesterday to finish off the session lower. The Canadian dollar, supported by 'gaining' oil prices, helped local meal customers by increasing over 79¢, subsequently pushing all offered meal prices (out to September) below \$500 CAD/MT for the first time in recent memory. The dollar move, plus the anticipation of eminent production availability is generally viewed as a bearish force for the mid to longer term. Soybeans are trading higher this morning, but it is thought to be short-lived.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Technical indicators as well as a technically triggered order involving one or more of the funds is thought to be behind the rally this morning after passing the 100-day moving average. Interior basis is firm or firming, but not enough to entice farmers to sell in any significant volume, although there is further talk of some movement. The news is mostly bearish despite some support this morning.

US Slaughter	
401,000	Monday
423,000	Monday (year ago)
W. Corn Belt	\$65.52
National Price	\$70.92
Daily Sig 3	\$151.06
Daily Sig 4	\$158.34
Thunder Creek	\$150.77
4-Month Fwd.	\$167.64
B of C Ex. Rate (Noon)	
\$1.2578 CAD/ \$0.7950 USD	
Cash Prices Week Ending January 31, 2015	
Signature 3	154.90/70.26
Signature 4	161.58/73.29
h@ms Cash	160.08/72.61
Hylife	159.22/72.22
Thunder Creek	156.10/70.81
ISO Weans	\$56.14 US Avg.
Feeder Pigs	\$73.21 US Avg.
#1 Export Sows (+500lbs)	\$33.00/cwt. (Tagged)

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Maple Leaf Sig. #3		146.33 150.36	150.95 154.40	171.82 182.16	179.87 186.76	183.22 189.55	177.08 185.13	161.94 171.14	157.45 164.96	140.41 146.19
Maple Leaf Sig. #4		145.71 149.94	149.74 152.18	168.28 179.63	177.63 183.19	181.88 186.78	179.50 182.62	162.05 178.54	158.51 164.78	145.04 152.42
Soymeal Winnipeg Delivered	502	502	496	496	490	490	488	493		
Corn Wpg, Delivered	191									

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WINNIPEG LIVESTOCK
HWY #6 AND RD 236

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