



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

Hog Margin Outlook

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Tuesday, December 02, 2014

Forward contract prices opened mixed this morning. US cash markets are trading firm with hog supplies staying tighter than last year, while wholesale pork sales have experienced some support. Over the next 3 months, pork supply is expected to be relatively stable, contrary to the normal trend of a shrinking supply. This a function of fewer losses related to PEDv in the summer/fall timeframe and carcass weights that are holding at the heaviest we have ever seen. The USDA released their latest PEDv update, which showed 83 new cases for the week ending November 15, 2014, up 17% from the previous week which was reported as 71 cases. Yesterday, Lean Hog futures experienced more than \$1.00/cwt drop across most contracts early in the day, but rallied later on influence from the cattle complex which experienced a 'limit up' day. Technical indicators for the nearby hog contracts are bearish, but another day of big gains in cattle could offset this weakness. The Canadian Dollar is trading below US\$0.88 this morning, but is expected to see limited upside in the near term to due to weak energy prices.

Canadian delivered soymeal prices opened lower this morning. More bearish news yesterday suggesting that S. American production (Argentina, Brazil, and Paraguay) could exceed 156 MMT, 7 MMT more than last year. A respected investment bank has suggested Chinese import estimates to be 4 MMT higher than last year, but 1 MMT lower than current USDA estimates of 73MMT. There is talk that the funds are in a 'massive' long position, showing almost 58,000 net long positions in beans alone. South American weather is also pressuring.

Canadian delivered corn prices opened even this morning. There are expectations that the safrinha (second) crop in Brazil could produce 10% lower than expectations, coming in at 'only' 44MMT, keeping the downside in check. However, the recent drop in crude prices has influenced some uncertainty in corn markets as the energy markets remain relatively volatile. There is talk US farmers are not selling amid the lows and that futures traders are taking a risk-off approach, sitting on the sidelines until some tangible news breaks. The USDA's WASDE report will be released next week, December 10.

US Slaughter	
431,000	Monday
439,000	Monday (year ago)
W. Corn Belt	\$86.01
National Price	\$87.71
Daily Sig 3	\$178.85
Daily Sig 4	\$176.61
Thunder Creek	\$178.55
4-Month Fwd.	\$178.14
B of C Ex. Rate (Noon)	
\$1.1344 CAD/ \$0.8815 USD	
Cash Prices Week Ending November 29, 2014	
Signature 3	178.81/81.11
Signature 4	176.07/79.86
h@ms Cash	174.57/79.18
Hylife	174.65/79.22
Thunder Creek	179.30/81.33
ISO Weans	\$72.27 US Avg.
Feeder Pigs	\$86.57 US Avg.
#1 Export Sows (+500lbs)	\$64.00 cwt. Tagged

Fixed Forward Range (at opening)	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Maple Leaf Sig. #3		170.64 176.40	175.29 177.97	176.86 180.53	181.53 184.68	188.84 196.19	194.09 200.39	191.33 197.08	179.47 189.24	162.76 171.11
Maple Leaf Sig. #4		167.98 174.47	173.70 175.48	173.70 177.55	177.82 180.06	184.18 192.52	190.69 195.78	189.33 193.78	180.97 186.29	164.18 177.33
Soymeal Winnipeg Delivered	524	488	471	471						
Corn Wpg, Delivered	166									

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