

PED Expected to Result in Volatile Hog Markets

28 November 2014

Farm-Scape is sponsored by Manitoba Pork Council and Sask Pork. FarmScape is a Wonderworks Canada production and is distributed courtesy of Manitoba Pork Council and Sask Pork. CANADA - A financial services officer with AgStar Financial Services says the biggest influence affecting the North American hog market moving into 2015 will be whether or not we see an increase in the number of cases of PED as the weather turns colder. "Economic Trends and Challenges Facing the North American Pork Industry" was among the topics discussed last week in Saskatoon as part of Saskatchewan Pork Industry Symposium 2014. Justin Roelofs, a senior financial services officer with AgStar Financial Services, says although live hog prices have fallen from their record levels this past summer, the market is still strong. Justin Roelofs-AgStar Financial Services: If you look at 2013 the average producer in the US and I'm sure it's very similar in Canada, lost between three and \$10 per pig. This year the average producer is going to make more like \$25 a head. Now open market margins would be quite stronger than that. Open market margins would tell you, if you didn't hedge or forward price anything, you could have made 40 maybe even \$50 a head for the whole year however a lot of guys forward priced at a lower price level. I would say the real factors that have built into this is PED in the United States. That really sent the market soaring this summer and I think right now the uncertainty in the United States is is PED going to pick up again in the sow herd and I think that's really built into next year, next year being April, May, June summer futures. That uncertainty has built a higher margin out there and I think what producers need to watch for is, in this next 30 to 60 days, if we continue to not see PED outbreaks in sow units in the United States the market may pick up on that and you might see those margins deteriorate for next summer. Mr Roelofs says producers might want to lock up some of those of still historic profits for next year. He acknowledges it's often a little difficult to get lenders to provide the financing to trade futures positions so you'll probably have to work with the packer to manage some of that risk as best you can.

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