

Thursday, August 08, 2013

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

Forward contract prices opened mixed this morning. US packers are extending last week's bullish trend in their cash bids into this week despite more abundant supply of market hogs ready for slaughter. Wholesale pork prices have provided the underlying support for the cash market as it has gained about 5% of its value in the last 2 weeks. Lean Hog futures are seeing influence from the firming cash market and influence from sharply higher cattle markets. The cattle complex is reacting to an announcement by one of the largest US beef packers that said it will not accept cattle fed a feed additive known as Zilmax, a beta agonist with similar attributes as ractopamine used in hog rations. The livestock market responded positively as there was speculation that carcass weights may shrink in response to the new policy, tightening the supply of red meat. Producers without protection in the month of September should consider covering the price risk on some of that month's production due to the expectation of a significant increase in market hog supply over the next month.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. Pre-report positioning and fund liquidation are contributing factors in the move higher despite estimates of record production and carryout. Private estimates for 2013/14 carryout are approximately 265 MMT, the same as the USDA and the largest since 2006/07. Relative declines in estimated world inventory are a function of lower estimates in the US (due to late planting, smaller than expected yields), but increases in Brazil could offset the 'losses'; the new crop still indicates a bearish bias.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher. Corn contracts have received some support following commodity rallies this morning and on news of dry conditions continuing in the weather outlook. However, the uptick has been less significant than with soy. There is an expectation of increases in ending stocks and production ahead of next week's reports, but talk that this has already been priced into the market. Traders are expecting 1.975 billion bu. in ending stocks from close to 14 billion bu. in production, both up from previous estimates.

| US Slaughter | |
|---|-------------------------|
| 419,000 | Wednesday |
| 412,000 | Wednesday (year ago) |
| W. Corn Belt | \$100.59 |
| National Price | \$101.02 |
| Daily Sig 3 | \$192.05 |
| Daily Sig 4 | \$186.76 |
| Thunder Creek | \$192.42 |
| 4-Month Fwd. | \$154.21 |
| B of C Ex. Rate (Noon) | |
| \$1.0416 CAD/\$0.9601 USD | |
| Cash Prices Week Ending August 2, 2013 | |
| Signature 3 | 83.56/184.21 |
| Signature 4 | 83.14/183.29 |
| h@ms Cash | 82.46/181.79 |
| Hylife | 82.38/181.61 |
| Thunder Creek | 84.96/187.30 |
| ISO Weans | \$34.24 US Avg. |
| Feeder Pigs | \$52.67 US Avg. |
| #1 Export Sows (+500lbs) | \$ 68.50 cwt. |

| Fixed Forward Range | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|----------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 160.01 160.96 | 152.72 160.35 | 143.66 149.86 | 146.52 149.38 | 146.18 152.87 | 153.35 155.74 | 148.67 152.01 | 151.49 158.22 | 160.53 168.22 |
| Maple Leaf Sig. #4 | | 160.11 166.19 | 155.64 160.44 | 145.02 153.15 | 147.05 150.75 | 147.29 150.44 | 153.40 154.88 | 149.88 152.66 | 150.24 156.57 | 159.83 167.46 |
| Soymeal FOB Winnipeg | 553 | 553 | 494 | 427 | 427 | 436 | | | | |
| Corn FOB Wpg. | 260 | 262 | 264 | | | | | | | |

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