



Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, July 31, 2014

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

Forward contract prices opened lower this morning. US cash markets dropped another US\$1.00/cwt in value yesterday as packers continue to take advantage of the weaker trend. Packers have reacted to lower product values with the pork cut-out losing about \$3.00/cwt. over the last week, with most of the weakness seen in the loin primal cuts. However, hog numbers are tightening, with this Friday's slaughter expected to come in close to 15% lower than the last several weeks. Producers are not withholding deliveries; in fact carcass weights suggest they are very current with marketings. But packers will need to go even shorter of supplies before the cash and futures markets will find support. Nearby Lean Hog futures dropped to their lowest levels in 3 months overnight, but have recovered those losses this morning. The October contract is trading at a \$23/cwt discount to the current cash market, which represents a discount three times larger than is typically seen at this time of year. When this contract moves into front month status in 2 weeks, hog supply is expected to be even tighter than it is today, which should be a compelling reason for prices to appreciate from current levels.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading in a two-sided and choppy pattern to start the session. Early morning trade saw support, then moved lower, but is now trading both ways as of this writing. The weather remains a primary influence on the trade. Constant updates to forecasts have some calling for volatility until farmers get back on the fields at harvest. Nonetheless, the trend remains bearish and with cooler temperatures and rain forecast, the US crop is getting closer to realizing those optimistic yield estimates. Traders are a bit cautious, however, adding to the jittery trading pattern.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. The September and December contracts are trading in the \$3.50s and \$3.60s USD/bu. respectively, a function of supply side fundamentals and expectations. The weather is improving with showers and cooler temperatures forecast for the next couple weeks. There has been some modest ethanol demand, but overall demand remains soft; there are rumors China could release 100 MMT of reserve corn this year. It is only a matter of time until buyers enter the US corn market again, but the general thought is that traders are looking/waiting for the bottom.

US Slaughter	
406,000	Wednesday
410,000	Wednesday (year ago)
W. Corn Belt	\$121.01
National Price	\$125.72
Daily Sig 3	\$241.97
Daily Sig 4	\$243.44
Thunder Creek	\$241.65
4-Month Fwd.	\$194.75
B of C Ex. Rate (Noon)	
\$1.0909 CAD/ \$0.9167 USD	
Cash Prices Week Ending July 25, 2014	
Signature 3	112.92/248.95
Signature 4	111.93/246.75
h@ms Cash	111.24/245.25
Hylife	110.45/243.49
Thunder Creek	116.12/256.00
ISO Weans	\$79.09 US Avg.
Feeder Pigs	\$117.97 US Avg.
#1 Export Sows (+500lbs)	\$81.50/cwt. tagged

Fixed Forward Range (at opening)	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		218.69	202.20 210.70	197.13 205.65	174.30 184.31	175.80 182.31	172.63 172.63	168.71 174.13	168.71 170.22	171.26 176.30
Maple Leaf Sig. #4		216.81	195.36 200.02	172.27 185.47	177.12 180.81	177.12 180.81	171.05 171.44	167.46 173.19	167.46 168.23	167.80 172.87
Soymeal Winnipeg Delivered	535	535	535	449	445	445	445	446	446	
Corn Wpg. Delivered	157	157	170							

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Important Message

h@ms Marketing Services will be closed on Monday August 4th for the Civic Holiday. Normal business operations resume on Tuesday.

STRENGTH IN NUMBERS

