



Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, August 01, 2014

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

Forward contract prices opened mixed this morning. Packers are expected to break from the recent trend of lower prices by adding money to their cash bids due to tighter hog numbers. Today's slaughter is expected to be about 40,000 hogs smaller than week ago levels, due in part to larger losses of weaned pigs in February due to PEDv. Producers do not appear to be holding back supplies, as carcass weights continue to drop slowly, and the lower price trend provided a strong incentive to get the pigs sold. Most of the primal cuts have resisted significant declines, but in the last two weeks, pork bellies have lost \$30/cwt or about 20% of their value. Lean Hog futures are starting to see resistance to moving lower with both technical and fundamental analysis providing support to all contracts except August which will expire in two weeks. The October contract is trading at a \$24/cwt discount to the current cash market which is 3 times larger than normal. Producers looking for price protection should consider delaying pricing decisions until the market recovers some of the deficit that has developed in the last two weeks.

Canadian delivered soymeal prices opened lower this morning. US soybean futures are trading lower. The weather continues to be the primary influence on market movements with many traders latching on to the notion that rain forecast in the next week is all but certain across most major growing regions in the Midwest, a positive for crop development. However, there are some that caution if this rain does not materialize, risk premiums could be built back into the trade very quickly. Decent export data has added choppy-ness to the trade but has not yet been enough to turn it around.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Like soybeans, the corn crop is benefitting from weather reports that have continued to remain ideal for crop development. As well, the current good/excellent rating is among one of the best for this time of year adding pressure. September is currently trading in the mid \$3.50s USD/bu. and December is in the \$3.60s. Some analysts are starting to question if the 170+ bpa estimates are a little too optimistic, and note an early damaging frost could quickly change the market's tone. For now, the market remains bearish.

US Slaughter	
405,000	Thursday
413,000	Thursday (year ago)
W. Corn Belt	\$121.15
National Price	\$124.45
Daily Sig 3	\$241.83
Daily Sig 4	\$240.55
Thunder Creek	\$241.97
4-Month Fwd.	\$189.64
B of C Ex. Rate (Noon)	
\$1.0890 CAD/ \$0.9183 USD	
Cash Prices Week Ending August 1, 2014	
Signature 3	110.43/243.45
Signature 4	110.25/243.05
h@ms Cash	109.57/241.55
Hylife	108.87/240.01
Thunder Creek	112.58/248.20
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)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3	215.97	199.47 207.97	194.48 203.00	173.03 183.05	174.53 181.04	171.66 171.66	168.81 173.17	168.81 170.32	171.50 176.53
Maple Leaf Sig. #4	214.17	194.80 208.94	192.79 197.45	171.05 184.25	175.90 179.59	170.11 170.50	167.55 172.25	167.36 168.33	168.02 173.09
Soymeal Winnipeg Delivered	530	530	442	438	438	438	439	439	
Corn Winnipeg. Delivered	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

