

Tuesday, August 05, 2014

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

Forward contract prices opened mixed this morning. US cash markets started the week sharply lower amid limited deliveries, as some packers opted for a floating holiday which resulted in a US slaughter of 337,000 hogs Monday. This week is expected to be the lightest slaughter so far in 2014, if packers do not make up some of the volume on Saturday. Currently, estimated gross packer margins are in great shape at better than \$20/hog, with pork product values holding their value while packers have steadily cut their cash bids over the last two weeks. Lean Hog Futures are starting the day slightly lower, but are expected to be supported by the large discount that the both the August and October contracts are holding to the current cash market. With the August expiry less than a week away, traders are anticipating another \$6.00/cwt drop in cash bids in order for convergence to occur. The October contract remains at a \$23/cwt discount to the current cash market, this implies that the cash market will lose an average of \$0.50/cwt per day over the next two months. This, in spite of expectations of a tighter hog supply, corresponding to the peak PEDv testing data experienced in February.

Canadian delivered soymeal prices opened mixed this morning. It was business as usual for our US partners despite Monday's civic holiday for most of Canada. There was some short covering yesterday as some expected rainfall did not materialize; there are reports as much as ¼ of the Midwest could use some rain. However, the trade has turned around today with expectations of a wetter forecast this week and news that Brazil is expected to increase plantings by 4.9% compared to last year. Yesterday's Crop Progress report showed 71% in good/excellent condition; no change over last week (58% 10-yr average).

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Yesterday's trade saw some support on thoughts that the weather has not been completely cooperative. Soil dryness and temperatures 20°F cooler than normal, mostly localized in the ECB, have been hindering crop development in areas. But forecast rain and some higher temperatures this week are bearish and some private yield estimates (bpa) still remain into the 170s. Yesterday's Crop Progress report showed 73% good/excellent, in line with market expectations.

| US Slaughter | |
|---|----------------------|
| 337,000 | Monday |
| 366,000 | Monday (year ago) |
| W. Corn Belt | \$119.92 |
| National Price | \$123.62 |
| Daily Sig 3 | \$240.01 |
| Daily Sig 4 | \$239.59 |
| Thunder Creek | \$239.70 |
| 4-Month Fwd. | \$189.64 |
| B of C Ex. Rate (Noon) | |
| \$1.0919 CAD/ \$0.9158 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 | \$73.34 US Avg. |
| Feeder Pigs | \$113.20 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 | | 199.74 208.28 | 194.60 203.15 | 174.58 184.64 | 176.09 182.63 | 173.78 173.78 | 169.04 175.29 | 169.04 170.55 | 171.41 176.46 |
| Maple Leaf Sig. #4 | | 195.66 210.05 | 193.51 198.19 | 173.15 186.40 | 178.02 181.72 | 172.57 173.16 | 168.38 174.92 | 168.38 169.16 | 168.53 173.62 |
| Soymeal Winnipeg Delivered | 524 | 524 | 445 | 441 | 441 | 439 | 441 | 441 | |
| Corn Winnipeg. Delivered | 157 | 170 | | | | | | | |

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