

Wednesday, August 06, 2014

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

**Forward contract prices opened mixed this morning.** US cash markets continued their lower trend yesterday, with packers finding it easy to meet their reduced slaughter schedule. Hog weights have seen little seasonal influence averaging around 213 lbs., about 5% heavier than year ago levels. The aggregate value of primal cuts or pork cut-out has been near steady at \$127/cwt for the last 3 days, which has lead packer operating margins to very profitable levels. Lean Hog futures lost close to \$1.50 in the fall and winter months yesterday, but have largely made those losses in gains already this morning. October and December contracts are priced at a discount to the cash market of 20% more than the largest discount experienced over the last 15 years. With the cash market still trading at all-time record high levels for this time of year, futures traders believe that these prices cannot be sustained when factoring in seasonal influences, even with the projected PEDv losses. However, overall market fundamentals remain strong, given the current pork cut-out values, high beef prices and reportedly strong exports.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower. Expectations of favourable weather ahead continue to influence a bearish bias for the soybean trade. In fact, the weather hasn't really been an issue and despite some dryness in areas, has generally been described as benign. As such, there is continued talk that the weather risk premium for beans has all but been removed due to the lack of any major weather threat – so far. There are some that are starting to comment about the potential of early frost damage. Public and private yield estimates currently range between 45.20 and 46.07 bpa.

**Canadian delivered corn prices opened even this morning.** With the WASDE report coming out next Tuesday, there is talk that some major corn traders are sitting on the sidelines until the release. This is a function of differing yield expectations that are currently running between ~168 and ~172 bpa. While these would still be comparatively large yields (above trend line and meaning a really big crop), it is enough of a difference to influence a wait and see approach. There is talk that when the market becomes more comfortable with production estimates, a focus on demand-side data will have a larger influence on the trade.

US Slaughter	
400,000	Tuesday
422,000	Tuesday (year ago)
W. Corn Belt	\$115.99
National Price	\$121.64
Daily Sig 3	\$233.23
Daily Sig 4	\$236.85
Thunder Creek	\$234.28
4-Month Fwd.	\$188.11
<b>B of C Ex. Rate (Noon)</b> \$1.0970 CAD/ \$0.9115 USD	
<b>Cash Prices Week Ending August 1, 2014</b>	
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)	\$85.50/cwt. tagged

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		198.54 207.07	193.45 202.00	173.94 183.99	175.45 181.98	173.75 173.75	170.32 175.27	170.32 171.83	172.26 177.31
Maple Leaf Sig. #4		194.50 208.88	192.39 197.07	172.53 185.77	177.39 181.10	172.56 173.15	169.62 174.91	169.43 170.41	169.35 174.44
Soymeal Winnipeg Delivered	522	522	443	440	440	440	442	442	
Corn Winnipeg. Delivered	157	170							

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