

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

Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, August 13, 2014

Forward contract prices opened lower this morning. US cash markets continued lower in yesterday's trade with packers attempting to manage their operating margins in the context of collapsing ham and loin values. Together, these two primal cuts make up half of the pork carcass cut-out, and they have decreased in value by 17% and 9% respectively in the last week. In the futures market, bearish factors have loaded on to the market and have resulted in the fall and winter contracts dropping \$20/cwt or about 17% in the last month. The latest leg in the downward trend came as a result of weaker wholesale pork values and news of China restricting imports from six Mid-western pork plants that Chinese officials claim had evidence of ractopamine use. Adding to the bearish trend has been fund selling which has been an ongoing feature over the last 3 weeks. Support in these contracts will only be seen when the cash market finds its new equilibrium in spite of the record large discount the October and December contracts hold to the cash market.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures are trading higher. Yesterday's WASDE report was considered neutral to bearish at the outset but subsequent commentaries have focused on what is largely considered by traders to be low numbers. However, there is talk that yield numbers will be revised upward in subsequent reports as the crop develops so long as the weather cooperates during the finishing stage.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher following the USDA's report that was considered mildly bullish. As with soybeans, there is concern that yield estimates were much too low. However, there is talk that yield numbers will be revised upward in September and October WASDE reports noting that kernel weights and numbers are a little low currently (on average) with only the south showing good development. There is talk that pollination has been 'incredibly successful' overall.

Summary of WASDE Report Estimates			
	Measure	Avg Est	WASDE
Soybeans	Yield (bpa)	45.6	45.4
	Crop (bn bu)	3.823	3.816
	'14 End-ing Stock	136 mil	140 mil
Corn	Yield (bpa)	170.1	167.4
	Crop (bn bu)	14.253	14.032
	'14 End-ing Stock	1.240 bn	1.181 bn

Source, Meyer and Steiner, DLR; Reuters, USDA

US Slaughter	
408,000	Tuesday
419,000	Tuesday (year ago)
W. Corn Belt	\$110.49
National Price	\$117.20
Daily Sig 3	\$221.65
Daily Sig 4	\$227.67
Thunder Creek	\$221.09
4-Month Fwd.	\$175.38
B of C Ex. Rate (Noon) \$1.0944 CAD/ \$0.9137 USD	
Cash Prices Week Ending August 8, 2014	
Signature 3	106.04/233.78
Signature 4	106.95/235.79
h@ms Cash	106.27/234.29
Hylife	105.23/231.98
Thunder Creek	109.54/241.50
ISO Weans	\$68.98 US Avg.
Feeder Pigs	\$107.74 US Avg.
#1 Export Sows (+500lbs)	89.00/cwt. tagged

Fixed Forward Range (at opening)	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3		186.74 189.24	181.60 190.14	159.12 169.16	160.63 167.15	159.43 164.96	162.45 166.47	162.45 163.96	164.75 169.79
Maple Leaf Sig. #4		185.78 192.18	181.50 186.16	159.14 172.36	164.00 167.70	163.06 165.20	162.57 166.95	162.38 163.35	162.66 167.73
Soymeal Winnipeg Delivered	540	540	445	440	440	439	439	439	
Corn Winnipeg. Delivered	159	159							

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STRENGTH IN NUMBERS

