

Tuesday, September 01, 2015

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

Forward contract prices opened mostly higher this morning.

US cash markets traded mixed yesterday, reflecting the divergent influences of more than ample hog supplies and the recent improvement in wholesale pork prices. With almost every cut contributing to the \$1.31/cwt gain in the benchmark index, the pork cut-out is still down about 4% from last week's levels. Packers are protecting their excellent operating margin, currently estimated near \$30/hog, but also want to maximize their production schedules in order to capitalize on the profitable conditions. Hog numbers are expected to grow about 6% over the next 6 weeks, if they follow the seasonal trend. As a result, October Lean Hog futures are trading at a \$4/cwt discount to current cash prices, a modest discount relative to history. There has been some speculation that pork exports have improved to China in the last two months, which will be confirmed or denied in Friday's release of July's pork export sales. If the report reveals a significant increase in sales occurred, nearby Lean Hog futures would likely benefit by seeing some support.

Canadian delivered soymeal prices opened lower this morning.

Pressure continues on the soy complex following action initialized by speculative commercial traders who started to exhibit a risk off approach amid poor global economic outlooks that continued into today's session as of this writing. According to the Crop Progress report, 93% are in the pod setting stage (only 2% off the 5 year average) and 63% of the crop is in good/excellent condition, unchanged from last week (57% 10- year average). However, there is talk of a bounce on the horizon as weather in Malaysia and Indonesia could mean a decline in palm oil production (and a recovery in prices after hitting 6 year lows) and export sales of beans that have surpassed USDA expectations and are now at 100.2% of estimates.

US corn futures opened lower this morning. Like soybeans, US corn is also under pressure but not yet to the same degree in terms of net long liquidation. Although China factors into the equation, it is the issue associated with Chinese corn subsidies that is of most concern. That is, if corn subsidies are decreased or cut in China, domestic end users could 'switch back' to the domestic variant and away from the previously cheaper imports from the Ukraine, United States and Argentina, ultimately curbing demand from the region. The Crop Progress report showed a 1% drop in good/excellent condition as expected.

US Slaughter	
429,000	Monday
2,000	Monday (year ago)
W. Corn Belt	\$71.56
National Price	\$78.56
Daily Sig 3	\$173.45
Daily Sig 4	\$182.04
Thunder Creek	\$173.06
4-Month Fwd.	\$ 142.08
B of C Ex. Rate (Noon)	
\$1.3223 CAD / \$0.7563 USD	
Cash Prices Week Ending August 29, 2015	
Signature 3	179.90/81.60
Signature 4	185.41/84.10
h@ms Cash	178.40/80.92
Hylife	183.40/83.19
Thunder Creek	182.70/82.87
ISO Weans	\$19.04 US Avg.
Feeder Pigs	\$35.58 US Avg.
#1 Export Sows (Tagged) \$56.50 cwt. (+500lbs.)	

Fixed Forward Range (at opening)	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Maple Leaf Sig. #3		141.09 157.03	132.04 138.08	137.47 141.70	136.66 146.32	149.95 152.96	151.39 155.02	155.62 162.48	168.81 178.45	179.65 185.68	186.28
Maple Leaf Sig. #4		149.25 160.83	137.80 146.22	142.24 145.98	140.76 147.77	151.52 154.79	154.20 157.01	157.95 163.40	168.02 178.75	179.22 183.42	186.68
Soymeal Winnipeg Delivered	499	487	479	479	477	479	479				
Corn	Local delivered price available on request										

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