

Hog Prices: ↑ ↓ **Soymeal:** ↑
Corn: ↑ **Cdn Dollar:** ↓

Hog Margin Outlook

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Thursday, May 17, 2012

Forward contract prices opened mixed this morning. U.S. packers have increased their bids steadily this week, but in doing so, have negatively impacted their operating margins. Cash bids are up close to \$3.00/cwt in some regions this week despite a hog supply that exceeds expectations. Last week's slaughter was up 5% from year ago levels, with this week shaping up to be similar. Lean Hog futures have stabilized from their month long bearish trend, and have seen support recently in the late summer months. Hog markets are seeing conflicting influence from competing meats, with beef threatening to move higher before the year end, while chicken remains under pressure. Critical to chicken prices is an upcoming decision by Mexico to place an import tariff on U.S. product. This would likely lead to lower chicken prices, and have a negative influence on pork as early as the 4th Quarter of this year. The Canadian Dollar is trading at its lowest level in months, pressured by the uncertainty of Greece leaving the Euro zone.

Canadian delivered soymeal prices opened higher this morning. China's growing demand of soybeans cannot be met by South America at this time with their reduced crop, so demand is aimed at the U.S. A large sale of 480,000 metric tons of U.S. soybeans was reported to China. Strong exports and tight inventories indicate a bullish outlook for soybeans.

Canadian delivered corn prices opened higher this morning. China's corn demand may be near 199 million tonnes, according to the China National Grains and Oils Information Centre. They also note high production expectations from China of 197.5 million tonnes. Private exporters reported a sale of 900,000 metric tonnes of U.S. corn to China. Ethanol production has increased by 0.44% from last year and 0.78% from last week.

US Slaughter	
414,000	— Wednesday's
413,000	— Wednesday's (year ago)
Western Corn Belt	\$82.80
Daily National Price	\$80.96
Daily Sig3(M.Leaf)	\$153.32
Daily Sig4(M.Leaf)	\$145.17
4-Month Fwd Avg	\$153.81
#1 Export Sows (+500lbs)	\$43.51cwt
B of C Ex. Rate (Noon) \$1.0102CAD / \$0.9899US	
Cash Prices: Week Ending May 11th, 2012	
63.64/140.31	Signature #3
65.12/143.56	Signature #4
63.10/139.12	h@ms Cash
62.83/138.52	Hylife
ISO Weans \$17-33US	
Feeder Pigs \$45-56US	

	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Fixed Forward Range (Maple Leaf Sig. #3)		150.34	156.87	149.62	147.81	140.99	133.92	135.79	135.57	142.59
		156.87	157.80	159.42	148.28	148.00	139.07	140.00	141.19	144.94
(Maple Leaf Sig. #4)		154.26	156.42	152.12	148.56	140.34	135.30	135.30	136.72	141.81
		156.97	157.87	158.45	153.17	148.12	140.55	141.28	139.26	143.08
Soymeal Delivered	508	504	504	505	507	448				
Corn Delivered	274	276								

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