

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

Hog Margin Outlook

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Monday, July 09, 2012

Forward contract prices opened mixed this morning. U.S. cash markets are called to open slightly higher this morning, but could come under some pressure by the end of the week should cut-out values fail to strengthen. After last week's holiday reduced slaughter, U.S. packers killed 1.76 million head, but this has not yet produced a rally in wholesale pork prices. In fact, U.S. packers are dealing with negative operating margins approaching \$20 per hog, and have been in negative territory for most of this year. Lean Hog futures traders are betting that the cash market will fall by \$2.00 over the next week, and that the weakness will persist into mid-August by dropping an additional \$3.00/cwt. The Canadian Dollar is down about a cent from the highs put in last week, after disappointing U.S. job data that was released on Friday. Increasingly, traders are factoring in a slower global economy into their forecasts, which will negatively impact demand for commodities and the Canadian Dollar.

Canadian delivered soymeal prices opened higher this morning. Soybean yield estimates are likely to deteriorate as weather and soil conditions remain dry. The crops in the Southern Midwest region may have some relief with daily rain forecast; however the central Midwest continues to look dry adding concerns to the drought stress. Export sales were higher than expected, at more than double, coming in at 1.763 million tonnes.

Canadian delivered corn prices opened higher this morning. The heat wave continues, showing triple digit weather and below normal rainfall, fuelling the bullish trend. The forecast does show cooler temperatures this week, but widespread rainfall is not a feature. The WASDE report is scheduled for release Wednesday morning and yield adjustments will be highly anticipated.

US Slaughter	
1.76 Mill — Last Week's	
1.73 Mill — Last Week's (year ago)	
Western Corn Belt	\$98.85
Daily National Price	\$99.86
Daily Sig3(M.Leaf)	\$184.80
Daily Sig4(M.Leaf)	\$180.78
4-Month Fwd Avg	\$151.93
#1 Export Sows (+500lbs) \$38.25cwt	
B of C Ex. Rate (Noon) \$1.0199CAD / \$0.9805US	
Cash Prices: Week Ending July 6th, 2012	
83.77/184.68 Signature #3	
82.23/181.29 Signature #4	
82.48/181.83 h@ms Cash	
81.04/178.65 Hylife	
ISO Weans \$18-34US	
Feeder Pigs \$36-48US	

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Fixed Forward Range (Maple Leaf Sig. #3)		158.67 168.51	151.23 151.70	144.66 151.71	138.74 143.91	140.62 144.85	142.83 148.46	149.87 152.68	147.84 152.53	151.46 160.42
(Maple Leaf Sig. #4)		160.18 166.53	151.89 156.51	143.91 151.73	139.99 145.27	139.99 146.00	143.76 146.31	148.85 150.57	149.97 151.79	150.78 158.99
Soymeal Delivered	582	584	587	845	540					
Corn Delivered	296	298								

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