

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

Thursday, August 09, 2012

Forward contract prices opened higher this morning. U.S. cash markets lost some value in trade yesterday, as packers bought available supplies with discipline and a focus to improve their chronically poor meat margins. At nearly \$5.00 per hog in the black, margins are the best that they have been in months, but still unprofitable when one factors in processing costs. Cash prices have eroded in the last week, starting the lower seasonal trend earlier than is normally seen. Compared to last year's prices, we are close to 10% lower. Lean Hog futures are experiencing a divergent trend, with the nearby contracts weaker and the deferred month contracts stronger. Recent purchase and slaughter data suggest that producers are selling breeding stock at a pace 13% higher than one year ago, which is supporting the deferred month contracts. The Canadian Dollar is near steady and supported by recent comments from the Governor of the Bank of Canada that suggest interest rates could increase.

Canadian delivered soymeal prices opened higher this morning. Soybeans are reported to have low pod counts by crop tours. Some reports indicate a browning of the plant due to lack of moisture and extreme heat stress. Tomorrow's WASDE report is anticipated to show a decline in yields by at least 2 bushels per acre from last month, tightening the already tight soybean supply.

Canadian delivered corn prices opened higher this morning. The next WASDE report will be based on actual field observations as opposed to the more subjective methods and assumptions. Corn's harvested acres are anticipated to be 2.5 million acres less than July forecasts. With potential for major supply tightening, rationing will have to occur and corn use for feed should decline as prices rise.

| US Slaughter | |
|--|--------------------------|
| 410,000 | — Wednesday's |
| 409,000 | — Wednesday's (year ago) |
| Western Corn Belt | \$90.20 |
| Daily National Price | \$94.03 |
| Daily Sig3(M.Leaf) | \$164.46 |
| Daily Sig4(M.Leaf) | \$166.02 |
| Thunder Creek | \$164.06 |
| 4-Month Fwd Avg | \$132.60 |
| #1 Export Sows (+500lbs) | \$29.00cwt |
| B of C Ex. Rate (Noon) | |
| \$0.9947CAD / \$1.0053US | |
| Cash Prices: Week Ending August 3rd, 2012 | |
| 77.13/170.05 | Signature #3 |
| 77.08/169.94 | Signature #4 |
| 76.21/168.02 | h@ms Cash |
| 75.78/167.06 | Hylife |
| 79.61/175.50 | Thunder Creek |
| ISO Weans \$2-14US | |
| Feeder Pigs \$11-18US | |

| | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr |
|--|-----|--------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Forward Range (Maple Leaf Sig. #3) | | 136.01 | 129.44 | 122.51 | 124.33 | 127.38 | 139.30 | 144.95 | 149.47 |
| (Maple Leaf Sig. #4) | | 138.74 | 136.27 | 127.52 | 128.43 | 136.55 | 143.89 | 146.78 | 163.22 |
| Soymeal Delivered | 623 | 626 | 578 | 570 | 570 | | | | |
| Corn Delivered | 331 | | | | | | | | |

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