

Hog Prices:↓ Soymeal:↑

Corn:↑ Cdn Dollar:↑

Tuesday, August 21, 2012

## Forward contract prices opened lower this morning.

U.S. cash markets continued lower in trade yesterday, with abundant supplies and heavier carcass weights providing fundamental rationale for the weakness. This week's slaughter could be over 2.15 million hogs again, as hog flow to market at a pace quicker than most traders anticipated for the time of year. Indications of domestic and export demand are positive, but the market may have trouble dealing with the abrupt increase in the pork supply without significant price concessions. Nearby Lean Hog futures appear to have found support at current levels, albeit close to a \$10 discount from the current cash market. The Canadian Dollar is trading at new summer highs, as investors have discounted earlier ideas of negative growth after a number of economic indicators have exceeded analysts' expectations. Traders believe that the European Central Bank may engage in purchases of government bonds in an effort to mitigate the higher borrowing costs that some countries have faced.

## Canadian delivered soymeal prices opened higher this morning.

The U.S. Crop Tour is reporting that the soybean conditions are looking worse than originally anticipated, which appears to have fueled the sharp price increases overnight. U.S. soybeans setting pods have risen by 8% since last week, to 91%. The crop tours have indicated highly variable stages of growth and plants that are smaller than normal. The good to excellent rating is up 1% from last week to 31% for U.S. soybean crops.

## Canadian delivered corn prices opened higher this morning.

Corn crop conditions are stable again this week with the good to excellent rating sitting at 23%. Harvest is 4% complete; this is 3% higher than last year. Yesterday, the EPA was beginning a review of requests for a suspension of the ethanol mandate, to which they have a 90 day period to make a decision.

| US Slaughter                    |                        |
|---------------------------------|------------------------|
| 424,000—                        | Monday's               |
| 420,000 —                       | Monday's<br>(year ago) |
| Western Corn Belt               | \$84.54                |
| Daily National Price            | \$90.70                |
| Daily Sig3(M.Leaf)              | \$153.26               |
| Daily Sig4(M.Leaf)              | \$159.23               |
| Thunder Creek                   | \$152.91               |
| 4-Month Fwd Avg                 | \$128.70               |
| #1 Export Sows (+500lbs)        | \$28.50cwt             |
| <b>B of C Ex. Rate (Noon)</b>   |                        |
| \$0.9890CAD / \$1.0111US        |                        |
| <b>Cash Prices: Week Ending</b> |                        |
| <b>August 17th, 2012</b>        |                        |
| 71.95/158.61                    | Signature #3           |
| 73.82/162.74                    | Signature #4           |
| 71.51/157.64                    | h@ms Cash              |
| 71.77/158.23                    | Hylife                 |
| 74.66/164.60                    | Thunder Creek          |
| ISO Weans \$3.50-13.50US        |                        |
| Feeder Pigs \$12-22US           |                        |

|  | Aug | Sep | Oct    | Nov    | Dec    | Jan    | Feb    | Mar    | Apr    | May    | Jun    |
|--|-----|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Forward Range (Maple Leaf Sig. #3) |     |     | 127.27 | 120.25 | 122.06 | 125.82 | 137.63 | 144.39 | 149.61 | 167.59 | 172.61 |
|  |     |     | 134.06 | 125.23 | 126.13 | 134.91 | 142.17 | 146.21 | 163.30 | 176.26 | 177.18 |
| (Maple Leaf Sig. #4)                     |     |     | 129.21 | 123.37 | 123.37 | 128.35 | 137.41 | 143.87 | 149.83 | 164.06 | 171.57 |
|  |     |     | 135.96 | 128.46 | 129.16 | 134.07 | 141.28 | 147.39 | 160.61 | 172.45 | 174.22 |
| Soymeal Delivered                        | 646 | 646 | 615    | 606    | 606    |        |        |        |        |        |        |
| Corn Delivered                           | 320 | 336 | 304    |        |        |        |        |        |        |        |        |

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