



# Hog Margin Outlook

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Thursday, August 23, 2012

## **Forward contract prices opened lower this morning.** U.S.

cash markets continue to sink, with abundant supplies allowing packers to drop their bids with no consequence to their production levels. Hog weights are also contributing to the downward trend as live weights have rebounded by close to 2lbs from their summer lows, in spite of the high cost of gain. The July Cold Storage report was released by the USDA earlier this week, and revealed not only a minor draw down in frozen inventory. All pork in storage was down about 8% from last month's levels, but 20% higher than year ago. All of the primal cuts experienced significant increases in inventory compared to year ago, with the exception of bellies and picnics, which were near steady with July 2011. Nearby Lean Hog futures traded sharply lower yesterday as traders have grown concerned about abundant pork supplies after the last few weeks have exceeded year ago production levels by more than 6%.

## **Canadian delivered soymeal prices opened higher this morning.**

Soybean prices are getting support from the crop tour reports which keep affirming worse than expected results on the condition of the crop. The scouts are noting small plants, drought stress and aborted pods in their inspections. The cooler weather and rain the crops have experienced in August are too little too late to impact yields.

## **Canadian delivered corn prices opened lower this morning.**

Illinois was reported as having a higher than anticipated yields by the Pro Farmer crop tour. Earlier in the week, crop scouts also reported Indiana's yields as higher than what USDA forecasted yields for that state. The quality is still a concern, as low test weights and high aflatoxin were reported to be commonplace throughout the Midwest.

Hog Prices: ↓ Soymeal: ↑

Corn: ↓ Cdn Dollar: ↓

### US Slaughter

425,000— Wednesday's

416,000 — Wednesday's  
(year ago)

Western Corn Belt \$83.18

Daily National Price \$89.44

Daily Sig3(M.Leaf) \$151.39

Daily Sig4(M.Leaf) \$157.63

Thunder Creek \$151.01

4-Month Fwd Avg \$124.32

#1 Export Sows (+500lbs)  
\$28.50cwt

**B of C Ex. Rate (Noon)**  
\$0.9929CAD / \$1.0072US

### Cash Prices: Week Ending August 17th, 2012

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)			122.45 129.29	115.84 120.86	117.67 121.77	121.04 130.17	132.92 137.49	141.01 142.84	145.84 159.58	165.44 174.14	170.47 175.05
(Maple Leaf Sig. #4)			124.58 131.38	119.16 124.28	119.16 124.99	123.76 129.51	132.87 136.77	140.62 144.16	146.20 157.01	161.98 170.40	169.51 172.17
Soymeal Delivered	636	636	603	600	600						
Corn Delivered	341	336	304								

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