



Hog Margin Outlook

Meeting Your Marketing Needs

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

Friday, August 31, 2012

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

cash markets are finishing this week sharply lower, losing almost \$7.00/cwt. in the past week. Packers have had an abundance of supply for the third consecutive week, resulting in a dramatic drop in cash bids. This week's slaughter is expected to easily exceed 2.2 million pigs, maintaining the 5% increase in available supply over year ago levels. The pork cut-out continues to come under pressure, with all of the primal cuts losing value amid the large supply. Alternatively, Lean Hog futures have traded steady to slightly higher this week, with the market concluding that the recent drop in prices should entice new buyers and increased consumption. Traders are very optimistic about hog prices in 2013, as they have built in close to a \$30.00/cwt. rally in prices over the first 6 months of the year. The Canadian Dollar is trading higher this morning, after all of Canada's largest banks reported strong earnings, indicating a strong economy.

Canadian delivered soymeal prices opened lower this morning.

Hurricane Isaac is forecast to drop 4-5 inches of rain on southern portions of the Midwest, slowing harvest. Nebraska and South Dakota have wildfire alerts as temperatures are 100 degrees. Kansas, Illinois and Indiana are receiving late heat and reduced moisture, resulting in concerns there may be further yield downgrades. Weather forecasts are looking unfavourable for the weekend.

Canadian delivered corn prices opened lower this morning.

There are concerns that the winds from the storms resulting from Hurricane Isaac will blow over weaker corn, making it difficult to harvest. Rain from the hurricane is significant and is expected to cause delays for corn harvest. Export sales for corn have slowed significantly in recent weeks.

US Slaughter	
431,000—	Thursday's
416,000 —	Thursday's (year ago)
Western Corn Belt	\$73.07
Daily National Price	\$82.85
Daily Sig3(M.Leaf)	\$132.95
Daily Sig4(M.Leaf)	\$145.97
Thunder Creek	\$132.39
4-Month Fwd Avg	\$125.85
#1 Export Sows (+500lbs)	\$31.00cwt
B of C Ex. Rate (Noon)	
\$0.9926CAD / \$1.0075US	
Cash Prices: Week Ending August 31st, 2012	
62.72/138.27	Signature #3
67.98/149.86	Signature #4
63.12/139.16	h@ms Cash
65.06/143.44	Hylife
67.45/148.70	Thunder Creek
ISO Weans \$1-10US	
Feeder Pigs \$14-21US	

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fixed Forward Range (Maple Leaf Sig. #3)			122.52 129.31	115.78 120.76	117.59 121.67	122.71 131.85	134.59 139.16	143.46 145.28	148.40 162.14	168.15 176.86	173.19 177.77
(Maple Leaf Sig. #4)			125.93 132.68	120.36 125.45	120.36 126.15	126.26 132.01	135.38 139.27	142.99 146.53	148.67 159.50	164.61 173.04	172.15 174.81
Soymeal Delivered	632	632	610	611	611						
Corn Delivered	337	337	315								

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