



Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, September 07, 2012

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

Forward contract prices opened lower this morning. U.S. cash markets are finishing the week sharply lower with packers dropping bids at a pace of close to \$2.00/cwt. per day. The hog supply continues to far exceed most analysts' expectations with some suggesting that the recent glut may not be as temporary as originally thought. Hog weights are dropping, indicating that producers are pulling deliveries ahead to minimize feed costs and possibly avoid a lower cash market. The pork cut-out also experienced a lower trend this week, albeit at closer to a pace typical of this time of year. The October Lean Hog contract traded sharply lower in trade yesterday, but continues to represent a premium over the current cash market, suggesting that traders are optimistic about the cash trade over the next month. The Canadian Dollar experienced strong gains after the Europe's Central Bank announced plans to buy Spanish and Italian bonds in an effort to lower borrowing costs, which will bring more stability to region in the near term.

Canadian delivered soymeal prices opened lower this morning. With very little of the soybean crop harvested, there continues to be a lot of uncertainty related to production estimates, resulting in high volatility. Soybean traders have bean export sales pegged at 700,000 tonnes, soybean oil at 35,000 and meal at 150,000. Showers are forecast for the weekend with possible storm systems.

Canadian delivered corn prices opened lower this morning. Argentina may have a record corn harvest this year, estimated to be 24.5 million tonnes. US corn weekly export sales are forecast to be 275,000 tonnes. Corn used in ethanol is lower than USDA's projection of 5 billion bushels, reported at 4.96 billion bushels.

| US Slaughter | |
|---|-------------------------|
| 434,000 | – Thursday's |
| 430,000 | – Thursday's (year ago) |
| Western Corn Belt | \$66.49 |
| Daily National Price | \$77.59 |
| Daily Sig3(M.Leaf) | \$119.74 |
| Daily Sig4(M.Leaf) | \$135.31 |
| Thunder Creek | \$119.42 |
| 4-Month Fwd Avg | \$122.74 |
| #1 Export Sows (+500lbs) | \$29.00cwt |
| B of C Ex. Rate (Noon) | |
| \$0.9825CAD / \$1.0178US | |
| Cash Prices: Week Ending September 7th, 2012 | |
| 56.79/125.19 | Signature #3 |
| 63.01/138.92 | Signature #4 |
| 57.43/126.62 | h@ms Cash |
| n/a | Hylife |
| 61.28/135.10 | Thunder Creek |
| ISO Weans | \$2.75-15US |
| Feeder Pigs | \$13.50-18US |

| | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun |
|--|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Fixed Forward Range (Maple Leaf Sig. #3) | | 116.71 121.65 | 113.57 118.51 | 115.37 119.41 | 119.11 128.11 | 130.81 135.30 | 139.35 141.15 | 145.09 158.70 | 165.36 173.98 | 170.35 174.89 |
| (Maple Leaf Sig. #4) | | 120.23 125.19 | 118.15 123.19 | 118.15 123.88 | 122.66 128.32 | 131.63 135.47 | 139.39 142.44 | 145.42 156.14 | 161.89 170.23 | 168.92 171.99 |
| Soymeal Delivered | 602 | 588 | 589 | 589 | | | | | | |
| Corn Delivered | 321 | 309 | | | | | | | | |

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