

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

# Hog Margin Outlook

Meeting Your Marketing Needs

Tuesday, December 11, 2012

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**Forward contract prices opened higher this morning.** US cash markets experienced one of their largest one-day drops in months with most regions reporting a weakness of \$2.50 - \$3.50/cwt. The weakness comes partly due to the fact that cash bids had not appreciated in response to higher product markets and therefore made a rally in cash bids unsustainable without improvements in the pork carcass cut-out. Adding to the bearish tone was last week's news that Russia would require all meat imported from the US to be certified "ractopamine free", which will result in at least a temporary barrier to exports. Lean Hog futures recovered some of their value after hitting the lowest level in a month on Friday. However, gains will likely be limited in the remaining weeks before Christmas given the impact of the Russian announcement and the weak cash market fundamentals. The Canadian Dollar is trading at its highest level since mid-October as the US Federal Reserve is expected to announce a slight expansion to its recent policy of buying long dated bonds in an effort to provide stimulus to the US economy.

**Canadian delivered soymeal prices opened higher this morning.** Soybean futures have opened lower across all offered contracts this morning and nearby soybean meal futures have opened mixed. The USDA World Agricultural Supply and Demand Estimates (WASDE) Report is released today and markets are anticipating news that ending stocks will be decreased, supporting prices. There are rumors that China has also bought additional beans. It is expected that Argentina and Brazil production will remain relatively unchanged at 55 MMT and 81 MMT respectively.

**Canadian delivered corn prices opened lower this morning.** The early US corn futures trade started off lower this morning but has since been on an upward trajectory. Traders are not expecting any drastic changes to December's WASDE report; this year's harvest estimates are all but assured. However, US corn exports have declined 58 percent and ethanol export demand is expected to be down between 100-150 million bu. (in corn bu. equivalents), compared to last year, adding to a sluggish corn trade. Corn planting remains behind schedule in Argentina and production estimates are expected to be lower for the South American country.

US Slaughter	
428,000	Monday
431,000	Monday (year ago)
W. Corn Belt	\$78.76
National Price	\$85.93
Daily Sig 3	\$142.52
Daily Sig 4	\$150.57
Thunder Creek	\$141.48
4-Month Fwd	\$147.03
#1 Export Sows (+500lbs) \$ 46.00 cwt.	
<b>B of C Ex. Rate (Noon)</b> \$0.9872 CAD/\$1.0129US	
<b>Cash Prices: Week Ending December 7, 2012</b>	
Signature 3	69.51/153.24
Signature 4	66.90/147.48
h@ms Cash	67.95/149.80
Hylife	66.02/145.54
Thunder Creek	65.73/144.90
ISO Weans	\$58.79 US Avg.
Feeder Pigs	\$65.47 US Avg.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Fixed Forward Range (Maple Leaf Sig. #3)		135.71 142.05	143.41 146.59	146.82 148.18	148.96 160.77	164.71 173.34	169.70 174.24	172.66 174.93	161.60 171.80	153.86 155.69
(Maple Leaf Sig. #4)		136.42 140.28	142.56 144.49	146.30 147.18	148.91 158.23	160.82 169.08	168.20 171.02	169.66 170.90	168.48 169.01	152.52 159.05
Soymeal Delivered	523	522	522	522	523					
Corn Delivered	290	290	290	292	292					

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