



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

Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, January 25, 2013

Forward contract prices opened higher this morning.

US cash markets are finishing the week with gains between \$0.75 - \$1.50/cwt. as tight supplies are forcing packers to compete for the limited number of uncommitted animals. However the pork cut-out has experienced only modest gains which could hinder upside potential. Lean Hog futures were sharply higher in trade yesterday, with the nearby contracts gaining more than \$1.00/cwt. with support coming from ideas of tight near term supplies. Even with yesterday's gains, the February contract is trading even with cash markets while normally this contract is at a \$3.00/cwt. premium to cash. The Canadian Dollar dropped to its lowest level in 5 months, after Statistics Canada released its estimate for Canada's December inflation rate, unchanged from the month previous at 0.8%. The combination of higher Lean Hog futures and a lower Canadian Dollar presents a good opportunity to forward contract for those producers who have not yet covered any of their summer production.

Canadian delivered soymeal prices opened higher this morning.

US soybean futures are trading lower this morning. Northern Argentina and southern Brazil have recently been too dry but expected rain is influencing a bearish trend in the long term. As well, port delays in Brazil are rumored to be overstated; all combined factors are having a cooling effect on the market. The Buenos Aires Grains Exchange is reporting seeding at 97.4% complete compared to 96.4% last year. Export demand remains strong but the market has been sensitive to news from South America.

Canadian delivered corn prices opened higher this morning.

US corn futures are trading lower this morning. However, an increase in trading volume yesterday added a positive tone to the market, limiting losses. There was an increase in ethanol production over the December 18th production Report, but negative operating margins have producers exiting the market, thus influencing a drop in stocks. US Corn exports remain weak amid positive crop estimates from SA and good inventories reported in the Black Sea region.

| US Slaughter | |
|--|------------------------|
| 426,000 | Thursday |
| 422,000 | Thursday (year ago) |
| W. Corn Belt | \$87.40 |
| National Price | \$87.70 |
| Daily Sig 3 | \$160.62 |
| Daily Sig 4 | \$156.08 |
| Thunder Creek | \$160.90 |
| 4-Month Fwd | \$158.73 |
| #1 Export Sows (+500lbs) | \$ 37.00 cwt. |
| B of C Ex. Rate (Noon) | |
| \$1.0026 CAD/\$0.9974 USD | |
| Cash Prices: Week Ending January 25, 2013 | |
| Signature 3 | 71.64/157.93 |
| Signature 4 | 69.73/153.72 |
| h@ms Cash | 69.05/152.22 |
| Hylife | n/a |
| Thunder Creek | 69.72/153.70 |
| ISO Weans | \$54.74 US Avg. |
| Feeder Pigs | \$73.33 US Avg. |

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
|---|-----|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Forward Range (Maple Leaf Sig. #3) | | 155.28 | 151.07 | 152.68 | 165.70 | 170.81 | 173.31 | 164.39 | 156.50 | 153.56 |
| | | 155.74 | 153.85 | 164.74 | 174.52 | 175.44 | 175.63 | 173.13 | 158.35 | 157.74 |
| (Maple Leaf Sig. #4) | | 152.52 | 151.68 | 152.43 | 162.17 | 169.35 | 170.71 | 165.40 | 155.50 | 154.56 |
| | | 152.88 | 152.57 | 161.95 | 170.61 | 172.59 | 171.97 | 170.71 | 162.16 | 157.08 |
| Soymeal Delivered | 495 | 495 | 495 | 493 | 493 | 493 | | | | |
| Corn Delivered | 297 | 297 | 299 | | | | | | | |

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