



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

Hog Margin Outlook

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Wednesday, January 30, 2013

Forward contract prices opened higher this morning. US cash markets are finding support midway through the week as packers are short supplies due to early week weather disruptions to scheduled deliveries. While packer operating margins have edged back into the black, margins are still too slim to cover operating costs and as a result, packers remain hesitant to compete by bidding up the cash. Measures of domestic demand are showing signs of growth, but these gains are expected to be negated by reductions in export demand, specifically from China and Russia. Lean hog futures traders appear content to factor in prices comparable to year ago levels, and have developed a slow, steady, bullish trend over the last two weeks. The recent support to the summer month contracts combined with the weakness in the Canadian Dollar has forward prices trading near the highs for the month.

Canadian delivered soymeal prices opened lower this morning. US soybean futures opened higher across all offered contracts this morning. Most analysts have their sights on Argentine weather. The region needs moisture and light showers this week have provided only modest relief from dryness, potentially limiting upper crop yield estimates. The Brazilian crop is faring better and estimates are left unchanged at 54 million tonnes. However, infrastructure logistics issues are creating shipping delays from Brazil.

Canadian delivered corn prices opened higher this morning. US corn futures opened higher this morning. Traders are reacting to evidence that ethanol margins are improving domestically amid tight supplies. As well, the weather in Argentina has been challenging for corn growers, adding a bullish tone to the market. Some analysts are saying this weekend's expected rain is crucial; production estimates now range between 22.5 (private) and 28 (USDA) million tonnes. The next WASDE Report will be issued February 8, 2013.

US Slaughter	
422,000	Tuesday
414,000	Tuesday (year ago)
W. Corn Belt	\$84.22
National Price	\$88.46
Daily Sig 3	\$154.82
Daily Sig 4	\$157.47
Thunder Creek	\$154.33
4-Month Fwd	\$162.08
#1 Export Sows (+500lbs) \$ 35.50 cwt.	
B of C Ex. Rate (Noon) \$1.0029CAD/\$0.9971USD	
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	68.75/151.57
Thunder Creek	69.72/153.70
ISO Weans	\$51.98 US Avg.
Feeder Pigs	\$75.70 US Avg.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Fixed Forward Range (Maple Leaf Sig. #3)		151.54	153.33	167.65	172.73	175.41	165.15	157.29	154.54
		154.30	165.34	176.42	177.34	177.72	174.82	159.14	158.71
(Maple Leaf Sig. #4)		152.09	153.04	164.04	171.20	172.73	166.10	156.26	155.49
		152.98	162.52	172.45	174.42	173.98	172.34	162.88	158.00
Soymeal Delivered	495	495	494	494	494	496			
Corn Delivered	299	299	301						

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