



Hog Margin Outlook

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Tuesday, March 12, 2013

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

US Slaughter	
418,000	Monday
417,000	Monday (year ago)
W. Corn Belt	\$74.39
National Price	\$78.67
Daily Sig 3	\$140.01
Daily Sig 4	\$143.38
Thunder Creek	\$140.02
4-Month Fwd	\$161.00
1 Export Sows (+500lbs)	\$ 46.00 cwt.
B of C Ex. Rate (Noon) \$1.0268 CAD/\$0.9738 USD	
Cash Prices: Week Ending March 8, 2013	
Signature 3	65.08/143.48
Signature 4	65.91/145.31
h@ms Cash	65.23/143.81
Hylife	63.48/139.94
Thunder Creek	64.59/142.40
ISO Weans	\$34.25 US Avg.
Feeder Pigs	\$64.90 US Avg.

Forward contract prices opened higher this morning.

US cash markets regained more than half of what they lost on Friday, with packers giving up some of their healthy profitability in competition for the supply of hogs. The overwhelming factor that is impacting both cash and futures values is export demand and the uncertainty shrouding the degree with which it will be weaker than year ago levels. Current data for January shows weakness in exports to Japan, China, Mexico and South Korea compared to year ago levels; almost all of these top destinations for US pork. Currently, June futures are trading about \$2.50/cwt. higher than the lows observed last week. However, given the uncertainty in export markets, this 'rise' in June futures reflects good value when compared to current cash market projections. Producers without price protection in the summer and fall months should consider pricing up to half of their production at current forward contract prices in an effort to minimize the impact of reduced export sales.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading lower. Weaker than expected export data is pressuring prices along with a US weather forecast considered as bearish. Support comes from on-going port delays in Brazil and a looming port strike. Despite this, Brazilian traders are suggesting March could be a 'huge month' for shippers. This remains to be seen as buyers are currently favoring the US variant; USDA cumulative sales are at 96% compared to the 5-year average of 72%.

Canadian delivered corn prices opened higher this morning.

US corn futures are trading mixed. Cumulative export sales are relatively low (46% vs. a 5-year average of 49%), but a combination of strong domestic feed demand and lower carryout estimates are supporting the trade. Despite high corn prices, some analysts point to last Friday's WASDE report as evidence that feed use has not waned, and there are estimates that corn stocks will be at their lowest levels since 1996 at 632 MMT.

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(Maple Leaf Sig. #3)		145.13 152.66	156.90 165.85	162.08 166.79	166.15 168.51	160.54 167.34	152.52 154.41	146.26 153.83	137.78 143.93	140.62 143.46
(Maple Leaf Sig. #4)		145.83 152.58	155.77 164.07	163.16 166.07	165.65 166.93	162.87 166.80	152.82 159.58	148.88 154.46	139.66 148.08	142.04 145.70
Soymeal Delivered	518	521	524	526	527	527				
Corn Delivered	308	308	310							

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