

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

Hog Margin Outlook

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Wednesday, June 12, 2013

Forward contract prices opened mixed this morning. US packers are struggling to find enough hog supplies to meet their planned daily slaughter of approximately 400,000 hogs, resulting in sharply higher prices being paid for live hogs. Most of the cash market weighted average prices are on the verge of breaking through the \$100/cwt. benchmark, with top bids exceeding this level. While wholesale pork prices are trading at a discount to cash bids for live hogs, the carcass cut-out is keeping pace, largely due to the pork belly prices that have broken through all-time record highs. Nearby Lean Hog futures are making gains in lock step with the cash market, providing an opportunity to hedge the summer months at prices near current cash market levels. However, forward contracts offered for the 4th Quarter are trading at a large discount to the current cash market, almost double historical levels. Traders are very hesitant to put extra value on the deferred months as they believe that current prices are not sustainable over the next 6 months.

Canadian delivered soymeal prices opened mixed this morning. US soybean futures also opened mixed with nearby contracts supported by old crop tightness. There is talk that the ending stocks estimate will be revised downward to 122 from 125 million bu. in the highly anticipated WASDE report released today. For new crop, the trade is expecting an increase in estimated acreage to 77.8 million up from 77.10 million acres and expectations that, while lower than the May estimates, ending stocks could be up to 73.5 million tonnes.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Support comes from three weeks of positive ethanol production margins and general concerns of old crop tightness. However, there is much uncertainty ahead of WASDE and talk that a revision lower of up to 2.5 million acres (the largest revision downward in 20 years) is possible. Furthermore, some analysts are now suggesting excessive heat at pollination for a significant portion of the crop could hurt production levels.

US Slaughter	
402,000	Tuesday
393,000	Tuesday (year ago)
W. Corn Belt	\$99.33
National Price	\$98.06
Daily Sig 3	\$185.53
Daily Sig 4	\$177.37
Thunder Creek	\$186.22
4-Month Fwd.	\$165.88
#1 Export Sows (+500lbs)	\$ 51.00 cwt.
B of C Ex. Rate (Noon)	
\$1.0190 CAD/\$0.9813 USD	
Cash Prices: Week Ending June 7, 2013	
Signature 3	80.59/177.67
Signature 4	79.29/174.81
h@ms Cash	78.61/173.31
Hylife	79.07/174.31
Thunder Creek	78.97/174.10
ISO Weans	\$26.54 US Avg.
Feeder Pigs	\$46.97 US Avg.

Fixed Forward Range	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
(Maple Leaf Sig. #3)		179.83 182.17	162.34 176.74	154.39 156.26	147.90 155.38	139.19 145.28	142.00 144.81	142.17 147.81	148.28 151.57	147.12 149.47
(Maple Leaf Sig. #4)		178.13 179.39	165.08 175.50	155.30 162.00	150.83 155.36	140.59 148.57	142.58 146.21	142.41 145.50	148.05 151.15	148.11 150.11
Soymeal Delivered	574	575	581	581	465	465	465			
Corn Delivered	289	291	293							

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