

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

Hog Margin Outlook

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Wednesday, June 19, 2013

Forward contract prices opened higher this morning. US cash markets were steady in trade yesterday, but a surge in wholesale pork prices could provide the extra incentive for packers to compete for the limited live hog supply. Cash bids have already touched the highest levels hit last summer but have since cooled off allowing packers to bring their operating margins onto the positive side of the ledger. All of the primal cuts are positively contributing to gains in the carcass cut-out with belly prices near all-time record highs. What is remarkable about the current trend in pork prices is that the domestic consumer is willing to purchase significantly more pork (+4%) than last year and at higher prices. With export market volumes down about 15% from last year, normal market conditions would force packers to discount pork heavily in order to clear the market of the available supply. Futures traders remain cautious in pricing current cash market fundamentals, as reflected by the stagnant values seen in the fall and winter months.

Canadian delivered soymeal prices opened mixed this morning. US soybeans are trading mixed this morning amid rumors of profit taking. Although nearby contracts are trading at lower levels, old crop tightness and continually strong crush data are offering support. New crop contracts are still expected to be bearish as planting is expected to progress with mostly favourable weather forecasts and preliminary news today that suggests Chinese import estimates for 2013/14 are too optimistic.

Canadian delivered corn prices opened higher this morning. US corn futures are trading mixed. Although weather news has dominated the trade talk recently, a prominent analyst group reminds us that port lineups in Brazil remain persistent. As well, labour issues in Argentina are having a supportive influence on the nearby trade. Deferred contracts are trading lower on generally favourable weather forecasts and talk that the PED virus could impact feed demand and prices in the longer term.

US Slaughter	
394,000	Tuesday
391,000	Tuesday (year ago)
W. Corn Belt	\$99.64
National Price	\$102.84
Daily Sig 3	\$186.46
Daily Sig 4	\$186.36
Thunder Creek	\$186.36
4-Month Fwd.	\$160.24
#1 Export Sows (+500lbs)	\$ 49.00 cwt.
B of C Ex. Rate (Noon) \$1.0209 CAD/\$0.9795 USD	
Cash Prices: Week Ending June 14, 2013	
Signature 3	84.23/185.70
Signature 4	80.61/177.72
h@ms Cash	79.93/176.22
Hylife	80.64/177.77
Thunder Creek	81.33/179.30
ISO Weans	\$28.08 US Avg.
Feeder Pigs	\$49.37 US Avg.

Fixed Forward Range	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Maple Leaf Sig. #3			164.86 178.93	156.91 158.78	150.59 158.08	141.22 147.31	144.03 146.84	144.06 149.71	150.18 153.48	147.49 150.79	149.85 153.63
Maple Leaf Sig. #4			167.53 177.62	157.74 164.45	153.45 157.98	142.56 150.54	144.55 148.18	144.25 147.35	149.90 153.00	148.66 151.40	148.59 152.25
Soymeal Delivered	562	563	569	569	457	456	456				
Corn Delivered	300	301	302								

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