



Hog Margin Outlook

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Tuesday, August 13, 2013

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

US Slaughter	
425,000	Monday
419,000	Monday (year ago)
W. Corn Belt	\$98.44
National Price	\$101.52
Daily Sig 3	\$185.80
Daily Sig 4	\$185.55
Thunder Creek	\$185.48
4-Month Fwd.	\$154.93
B of C Ex. Rate (Noon)	
\$1.0297 CAD/\$0.9711 USD	
Cash Prices Week Ending August 9, 2013	
Signature 3	85.63/188.77
Signature 4	84.10/185.40
h@ms Cash	83.42/183.90
Hylife	83.60/184.31
Thunder Creek	83.19/183.40
ISO Weans	\$35.82 US Avg.
Feeder Pigs	\$55.88 US Avg.
#1 Export Sows (+500lbs)	\$ 65.00 cwt.

Forward contract prices opened higher this morning. US packer bids are softening, after the hog supply appears to be on the fall upswing. Yesterday's slaughter numbers were higher than 420,000 head, significantly higher than last week's 365,000. When combined with a lower cut-out value due to weaker loin prices, packers are protecting their operating margins by paying less for the live supplies. Lean Hog futures are seeing only modest influence from the changes in the recent cash market, with the nearby contracts gaining close to \$1.00/cwt. in trade yesterday. Currently, the October contract is trading at a \$16.00/cwt. discount to the CME's Lean Hog Index price, a large discount by historical standards. However, in both 2011 and 2012, cash prices have fallen by more than \$20/cwt. from mid-August to mid-September, providing the rationale for traders to discount the 2013 October contract. Producers considering forward contracts in the fall timeframe should focus on the first three weeks available to them, as hog supplies are expected to trend lower than year ago levels by mid-October due to the influence of PED virus on production.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading mixed. Strong export sales (713,000 tonnes to China alone yesterday) coupled with yesterday's WASDE and Crop Production reports that were lower than market expectations is providing support. Planted acreage has been revised lower to 77.2 from 77.2 million acres with an estimated yield lowered to 42.6 from 44.5 bu./acre. Total production now stands at 3.255 billion bu. from the 3.420 billion July estimate.

Canadian delivered corn prices opened lower this morning. US corn futures are trading lower. Strength returned to the US corn market as it reacted to the USDA reports that surprised most analysts by rejecting pre-market estimates. However, even with a 'lowered' production estimate of 13.8 billion bu., 2013 will be a record year for the US if production is realized. As well, two major private banking firms are standing by their pre-market report estimates and are cautioning traders against market 'scepticism'.

Fixed Forward Range	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Maple Leaf Sig. #3		159.73 161.63	153.44 161.04	144.50 150.68	147.35 150.21	146.80 153.47	153.95 156.33	148.84 152.18	151.06 157.74	160.19 167.83
Maple Leaf Sig. #4		160.19 166.80	156.32 161.11	145.82 153.92	147.85 151.53	147.88 151.02	153.97 155.44	150.04 152.81	149.80 156.08	159.47 167.05
Soymeal FOB Winnipeg	535	535	510	444	444	451				
Corn FOB Wpg.	250	252	254	205						

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