



# Hog Margin Outlook

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Thursday, September 12, 2013

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

**Forward contract prices opened mixed this morning.** US cash markets are expected to reverse the early week trend of higher cash bids as market ready numbers are expected to increase as the temperatures in the Mid-west cool down. Recent daily hog slaughter has averaged more than 20,000 fewer hogs per day compared to year ago levels. The abrupt change in hog supply experienced over the last two weeks has impacted hog prices positively, with prices in most regions up \$3 - \$5/cwt. in most regions. Increasingly, the tight supply of hogs appears not to be a short term anomaly, resulting in a positive impact on Lean Hog futures. Nearby contracts established new contract highs earlier this week, as traders factor in the positive cash market influence. However, traders referencing charts and technical analysis suggest that the market is 'toppy', especially as one considers the record large long position that funds still hold.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading lower as investors position themselves ahead of today's WASDE and Crop Production reports (both released at 12 noon, Central). However, there is much uncertainty amid reports from the field suggesting low pod counts; the WASDE report uses a 5-year average for pods and there is talk this could overstate estimates. Nonetheless, the USDA is expected to lower yield and production estimates from August (yield by up to 1.4 bpa). A respected trader notes a drop as large as 1.4 bpa has only been made 3 times in the last 32 years.

**Canadian delivered corn prices opened even this morning.** US corn futures are trading lower. As with the soybean complex, traders are positioning themselves ahead of the today's USDA reports. The numbers for corn are expected to be bearish despite a lowering of yields and production estimates. Generally, average trade expectations for corn are 154 bpa and production of 13.6 billion bushels. The August report came in at 154.4 bpa, 13.76 bushels of production, and an ending stock of 1.837 billion bushels (i.e. 1.1 billion bu. over last year at this time).

US Slaughter	
406,000	Wednesday
433,000	Wednesday (year ago)
W. Corn Belt	\$92.22
National Price	\$92.75
Daily Sig 3	\$174.74
Daily Sig 4	\$170.18
Thunder Creek	\$175.67
4-Month Fwd.	\$159.18
<b>B of C Ex. Rate (Noon)</b> \$1.0337 CAD/\$0.9673 USD	
<b>Cash Prices Week Ending September 06, 2013</b>	
Signature 3	77.74/171.38
Signature 4	78.21/172.43
h@ms Cash	77.53/170.93
Hylife	77.57/171.02
Thunder Creek	77.07/169.90
ISO Weans	\$38.21 US Avg.
Feeder Pigs	\$56.23 US Avg.
#1 Export Sows (+500lbs)	\$ 65.00 cwt.

Fixed Forward Range	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Maple Leaf Sig. #3		161.23	152.69	155.54	153.21	160.34	152.41	154.83	163.26	167.56
		168.81	158.86	158.38	159.87	162.72	155.74	161.51	170.90	173.29
Maple Leaf Sig. #4		163.83	153.74	155.76	154.07	160.15	153.48	153.44	162.44	166.14
		168.61	161.82	159.43	157.21	161.63	156.25	159.73	170.02	169.47
Soymeal Winnipeg Delivered	582	526	505	505	507	509				
Corn Wpg Delivered	259	261	205							

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