

Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, January 13, 2010

Forward contract prices opened higher this morning. US cash markets have no apparent trend to them as packers are bidding on only what is needed to meet their slaughter schedule, but are not interested in chasing hogs to capture more of the good margins that they are experiencing. Cash markets are running about US\$10.00/cwt higher than they were at this time last year, as improvements in demand and slightly lower supplies have combined to benefit prices. Lean hog futures are still seeing a sideways trend, but the limit down drop in corn triggered by yesterday's USDA Supply and Demand Report could weaken the deferred month contracts in the long term. The Canadian Dollar is up about 30 basis points this morning, trading under \$0.97US.

Canadian delivered soymeal prices opened lower this morning. Soymeal futures saw sharp losses yesterday and went on to trade moderately lower overnight. Conditions remain favourable for crop development in South America, keeping pressure on the soy complex. The recent combination of a strong Canadian Dollar and a dip in soymeal futures is creating a buying opportunity for producers looking for a 10-month average, which is down \$20/MT from 2 weeks ago.

Canadian delivered corn prices opened lower this morning. A lower US Dollar and weakened crude oil pricing couldn't offset yesterday's bearish WASDE Report, with corn seeing huge losses yesterday and overnight. If current price levels remain steady it could weigh heavily on US planting decisions and result in acres being lost.

Hog Prices: ↑ **Soymeal:** ↓
Corn: ↓ **Cdn Dollar:** ↓

US Slaughter	
430,000—Tuesday's	
421,000—Tuesday's (Year Ago)	
US Iowa/Sthrn MN	\$65.61
Western Corn Belt	\$65.22
Daily National Price	\$68.02
Daily Sig3(M.Leaf)	\$124.03
Daily Sig4(M.Leaf)	\$125.26
4-Month Fwd Avg	\$132.45
#1 Export Sows (+500lbs) \$32.50/cwt	
B of C Ex. Rate (Noon)	
\$1.0375 CAD / \$0.9639 US	
Cash Price (\$/cwt/kg)	
Cash prices for week ending January 8th, 2010	
56.47 / 124.50 Signature #3	
54.50 / 120.15 Signature #4	
54.05 / 119.16 MPMC Cash	
52.51 / 115.76 Springhill	

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Fixed Forward Range (Maple Leaf Sig. #3)		122.66	123.15	127.90	139.85	141.42	140.75	135.14	126.10
		-	-	-	-	-	-	-	-
		126.46	126.46	135.09	144.13	146.99	141.89	139.80	128.59
Estimated Hog Margin	1.73	3.59	4.91	9.22	16.59	17.79	15.86	13.39	7.78
Soymeal Delivered	365	358	358	350	350	351	351	350	347
Corn Delivered	156	158	160	162	164	166	168	170	172



Rothsay Animal Vegetable Feed Fat

\$573/tonne ↑ (2 – 19 mt)

To place your order call 1-866-768-4729

*Price quoted is FOB Southeast Manitoba

