

# Hog Margin Outlook

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Tuesday, January 19, 2010

**Forward contract prices opened higher this morning.**

Yesterday, US cash markets started the week yesterday with slightly lower bids and this expected to remain the theme for today's trade. However, packers have a strong incentive to maximize their slaughter schedule as operating margins are strong largely due to the steady gains seen in wholesale pork prices. Lean Hog futures saw heavy fund influence last week, which helped to put more value on the nearby contracts. At present, the February and April contracts are trading at a larger than average premium to the cash market, and represent a good hedging opportunity. The Canadian Dollar is still holding within a 1/4 of a cent from the highest levels it traded in 2009, resulting in weaker hog and feed prices.

**Canadian delivered soymeal prices opened higher this morning.**

Soybeans closed lower in the overnight session as last week's WASDE Report and optimal crop conditions in South America continue to keep bearish pressure on the soy complex. The Canadian Dollar has weakened slightly overnight, opening roughly a 1/2 cent lower than yesterday's noon rate, decreasing purchasing power from late last week.

**Canadian delivered corn prices opened lower this morning.**

Corn continued its losses in the overnight session, with the March contract now trading below 370. Corn futures are seeing a negative influence from weaker crude oil pricing, with crude dropping below \$77US a barrel overnight. Heavier farmer selling today after a long weekend is likely to push corn futures to close lower once again.

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

US Slaughter	
2.176 Mill—Last Week's	
2.310 Mill—Last Week's (Year Ago)	
US Iowa/Sthrn MN	\$67.01
Western Corn Belt	\$67.14
Daily National Price	\$68.41
Daily Sig3(M.Leaf)	\$126.16
Daily Sig4(M.Leaf)	\$124.48
4-Month Fwd Avg	\$136.15
#1 Export Sows (+500lbs)	\$32.55/cwt
B of C Ex. Rate (Noon)	
\$1.0251 CAD / \$0.9755 US	
Cash Price (\$/cwt/kg)	
Cash prices for week ending January 15th, 2010	
55.77 / 122.96	Signature #3
56.32 / 124.17	Signature #4
54.05 / 119.16	MPMC Cash
52.00 / 114.65	Springhill

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Fixed Forward Range (Maple Leaf Sig. #3)		129.26	125.97	130.69	141.65	142.84	142.18	137.74	128.76
			-	-	-	-	-	-	-
			129.26	136.92	145.90	148.73	143.31	141.23	131.12
Estimated Hog Margin	3.43	5.31	7.09	11.54	18.38	19.80	17.62	15.42	10.17
Soymeal Delivered	375	367	365	351	351	350	350	347	343
Corn Delivered	154	156	158	160	162	164	166	168	170

**Rothsay Animal Vegetable Feed Fat**

**\$528/tonne ↓ (2 – 19 mt)**

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

\*Price quoted is FOB Southeast Manitoba

