

Hog Margin Outlook

Meeting Your Marketing Needs

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Wednesday, January 20, 2010

Forward contract prices opened mixed this morning. US cash markets are trading steady this morning but are poised to finish the week higher as estimated operating margins are running at over \$18/hog, the best in months. Pork continues to out-compete poultry and beef in the domestic retail market as value conscious consumers are finding great value in all of the fresh pork cuts. Export markets are also performing better than expected, with the USDA increasing their forecasted export sales in the last WASDE Report. These positive demand fundamentals are also contributing to the higher trend in Lean Hog futures, while fund buying is the predominant force in recent days. The Canadian Dollar has seen some weakness recently, but saw little reaction from yesterday's Bank of Canada policy statement.

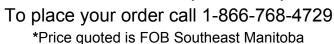
Canadian delivered soymeal prices opened higher this morning. A sharply higher US Dollar helped soy continue its losses overnight. The overall tone for soymeal remains bearish with South America's impending harvest, steady fund selling and the possibility of a strong US Dollar hampering export sales weighing heavily. The Canadian Dollar is tempering recent losses for soymeal, raising the cash price from Tuesday.

Canadian delivered corn prices opened higher this morning. Statistics Canada reported that inflation rates rose in December, but still came in below expectations—which along with weakened crude oil prices helped the Loonie drop more than 1 cent from yesterday's close. Marginal losses for corn yesterday carried over into the overnight session, though these are cancelled out by decreased purchasing power.

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep |
|---|------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Forward Range (Maple Leaf Sig. #3) | | | 125.89 | 130.61 | 141.29 | 143.17 | 143.08 | 138.16 | 129.17 |
| | | 129.21 | - | - | - | - | - | - | - |
| | | | 129.21 | 136.57 | 145.54 | 148.38 | 144.03 | 142.13 | 131.68 |
| Estimated Hog Margin | 3.43 | 5.31 | 7.09 | 11.54 | 18.38 | 19.80 | 17.62 | 15.42 | 10.17 |
| Soymeal Delivered | 376 | 368 | 366 | 352 | 352 | 351 | 351 | 348 | 344 |
| Corn Delivered | 155 | 157 | 159 | 161 | 163 | 165 | 167 | 169 | 171 |



Rothsay Animal Vegetable Feed Fat \$528/tonne ↓ (2 – 19 mt)





Corn: ↑ Cdn Dollar: ↓ **US Slaughter** 429,000-Tuesday's 410,000-Tuesday's (Year Ago) US Iowa/Sthrn MN \$66.33 \$66.50 Western Corn Belt Daily National Price \$69.08 \$125.89 Daily Sig3(M.Leaf) Daily Sig4(M.Leaf) \$126.63 4-Month Fwd Avg \$135.93 #1 Export Sows (+500lbs)

\$32.55/cwt

B of C Ex. Rate (Noon)

\$1.0328 CAD / \$0.9682 US

Cash Price (S/cwt/ckg)

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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