

Hog Margin Outlook

Meeting Your Marketing Needs

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www.mpmc.mb.ca & www.spimg.ca

Wednesday, January 27, 2010

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

US Slaughter	
394,000—Tuesday's	
429,000—Tuesday's (Year Ago)	
US Iowa/Sthrn MN	\$66.35
Western Corn Belt	\$65.92
Daily National Price	\$70.27
Daily Sig3(M.Leaf)	\$128.15
Daily Sig4(M.Leaf)	\$132.28
4-Month Fwd Avg	\$133.05
#1 Export Sows (+500lbs) \$35.00/cwt	
B of C Ex. Rate (Noon) \$1.0606 CAD / \$0.9429 US	
Cash Price (\$/cwt/ckg) Cash prices for week ending January 22nd, 2010	
58.09 / 128.07 Signature #3	
57.42 / 126.58 Signature #4	
56.40 / 124.33 MPMC Cash	
53.93/118.89 Springhill	

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Forward contract prices opened lower this morning.

Packers are apparently having no trouble meeting their kill requirements as cash bids have dropped every day this week. Packer operating margins are coming under a lot of pressure as the cut-out is averaging a drop of more than \$2.00/day. Pork prices are still trading well above year ago levels, but dropped about 10% in the last few days. Nearby Lean Hog futures are also seeing weakness in line with the drop in the cash market, as traders remain reactionary when they have difficulty explaining the large price swings. The summer month contracts have also seen weakness as traders question whether our current level of demand is sustainable, with increasing competition from poultry and beef. The Canadian Dollar is trading under \$0.94US, the lowest level in more than 5 weeks.

Canadian delivered soymeal prices opened higher this morning.

After a higher close yesterday, the soy complex went on to see losses overnight. Expectations that soybean exports will soon begin to shift focus from the US to South America is helping to create a bearish tone. A 9-month average for delivered soymeal is now up to \$356/MT.

Canadian delivered corn prices opened lower this morning.

Heavy fund selling helped corn trade lower yesterday and overnight, moving the March contract to around 361—a new low for 2010. Crude oil is sitting +below \$75US, adding further weakness to corn pricing. Unfortunately, recent lows for corn are tempered heavily by a weaker Loonie.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Fixed Forward Range (Maple Leaf Sig. #3)		120.46	125.32	138.21	141.56	139.52	133.98	122.80	118.57
		-	-	-	-	-	-	-	-
		124.21	133.35	142.59	145.50	140.59	138.06	125.23	123.72
Estimated Hog Margin	7.29	8.33	12.50	19.44	21.12	19.59	16.89	10.80	744
Soymeal Delivered	374	366	355	355	353	353	352	348	346
Corn Delivered	155	157	159	161	165	167	169	171	173



Rothsay Animal Vegetable Feed Fat

\$528/tonne ↔ (2 – 19 mt)

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