

Hog Margin Outlook

Meeting Your Marketing Needs

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Monday, February 01, 2010

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

| US Slaughter | |
|---|--------------|
| 2.142 Mill—Last Week's | |
| 2.150 Mill—Last Week's (Year Ago) | |
| US Iowa/Sthrn MN | \$62.77 |
| Western Corn Belt | \$62.95 |
| Daily National Price | \$68.75 |
| Daily Sig3(M.Leaf) | \$122.89 |
| Daily Sig4(M.Leaf) | \$129.96 |
| 4-Month Fwd Avg | \$132.92 |
| #1 Export Sows (+500lbs) \$35.00/cwt | |
| B of C Ex. Rate (Noon) \$1.0650 CAD / \$0.9390 US | |
| Cash Price (\$/cwt/ckg) Cash prices for week ending January 29th, 2010 | |
| 57.47 / 126.69 | Signature #3 |
| 59.83 / 131.90 | Signature #4 |
| 56.75 / 125.11 | MPMC Cash |
| 54.14 / 119.35 | Springhill |

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Forward contract prices opened lower this morning. US cash markets are starting the week lower as packer demand is weaker based on last week's falling product market. Last week's slaughter was only 2.15 million hogs, close to 100,000 hogs fewer than the same week last year. Wholesale pork prices are showing some signs of support, but packers still have little incentive to compete for the diminishing supply of hogs. Lean Hog futures are expected to trade reactively to the cash market with a lack of fundamental factors impacting the market. The Canadian Dollar is trading weaker against the US Dollar after recent economic data showed that the US economy grew faster than was anticipated.

Canadian delivered soymeal prices opened lower this morning. The soy complex is trading lower this morning with influence from many different fundamental factors. The US Dollar is weakening this morning, making US soybeans more competitive to the world's importers. In addition, foreign buyers are expected to start buying predominantly from South America sources as their large crop becomes available, applying more pressure to US Soymeal prices.

Canadian delivered corn prices opened lower this morning. Corn markets are also expected to trade lower this morning as the weaker US Dollar makes corn exports more favourable. However, traders will react to Friday's release of the Cattle Inventory Report, which showed a smaller decline than was expected by the trade. This means that US cattle feeders will require more corn for feeding and is a bullish factor in today's corn markets.

| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct |
|---|---------|--------|--------|--------|--------|--------|--------|--------|--------|
| Fixed Forward Range (Maple Leaf Sig. #3) | | 118.61 | 123.51 | 137.34 | 140.77 | 140.01 | 136.09 | 125.70 | 121.85 |
| | | - | - | - | - | - | - | - | - |
| | | 122.03 | 132.43 | 141.75 | 144.69 | 140.50 | 138.54 | 128.23 | 126.76 |
| Estimated Hog Margin | 7.57 | 5.11 | 9.83 | 17.32 | 19.78 | 18.48 | 15.95 | 9.09 | 6.39 |
| Soymeal Delivered | 367/363 | 361 | 352 | 352 | 348 | 348 | 346 | 343 | 340 |
| Corn Delivered | 152 | 154 | 156 | 158 | 160 | 162 | 164 | 166 | 168 |



Rothsay Animal Vegetable Feed Fat

\$518/tonne ↓ (2 – 19 mt)

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