

Hog Margin Outlook

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Wednesday, February 03, 2010

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

US Slaughter	
422,000-Tuesday's	
427,000-Tuesday's (year ago)	
US Iowa/Sthrn MN	\$63.20
Western Corn Belt	\$63.37
Daily National Price	\$65.59
Daily Sig3(M.Leaf)	\$123.21
Daily Sig4(M.Leaf)	\$126.51
4-Month Fwd Avg	\$130.03
#1 Export Sows (+500lbs) \$37.90/cwt	
B of C Ex. Rate (Noon) \$1.0607 CAD / \$0.9428 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 higher this morning. Yesterday, after close to two weeks of declines, packers stopped the trend of lower bids. Hog supplies are more abundant than they were last week, but this week's slaughter is still expected to be about 3% under last year's levels. Packer operating margins are still in positive territory despite the sharp decline in the price of most of the primal cuts. Cash prices are maintaining higher levels than this time last year, however, the premium has dropped from 20% to only about 5%. Lean Hog futures are following the lead of the cash market both yesterday and this morning, recovering some of their recent losses. However, the charts are still reflecting a bearish trend. The Loonie is trading lower this morning, but could see strength on higher oil prices.

Canadian delivered soymeal prices opened lower this morning. Weather in South America remains favourable and analysts believe that there are no significant areas at risk of below trend-line yields. South American crop conditions are the predominant factors impacting US soybean markets, as importers are shifting their focus away from US supplies. The intermediate trend is lower in soybean meal with most of the fundamentals having a bearish bias.

Canadian delivered corn prices opened lower this morning. Corn markets continue to see direct influence from the higher crude oil market as these have a major impact on the profitability of ethanol producers. Adding to the strength is a weaker US Dollar, which is making US corn more competitive in the world market.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Fixed Forward Range (Maple Leaf Sig. #3)		115.56	120.42	134.50	137.90	137.68	134.04	122.68	118.87
		-	-	-	-	-	-	-	-
		119.15	129.65	138.87	141.78	138.41	136.47	125.19	123.73
Estimated Hog Margin	7.57	5.11	9.83	17.32	19.78	18.48	15.95	9.09	6.39
Soymeal Delivered	360/356	354	345	345	342	342	343	340	337
Corn Delivered	155	157	159	161	163	165	167	169	171

Rothsay Animal Vegetable Feed Fat

\$518/tonne ↓ (2 – 19 mt)

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