

Hog Margin Outlook

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Tuesday, March 02, 2010

Forward contract prices opened lower this morning. Packers dropped cash hog prices yesterday, but with strength cut-out prices are likely to provide support in the coming days. Loins, bellies, hams and trimmings have all experienced gains in the few days, causing packers to be hesitant to cut-back further on their slaughter schedule to match with the recent reductions in available supply. Lean Hog futures are making slow, steady gains, with traders hesitant to anticipate any significant gains due to uncertainty on both supply and demand. The Canadian Dollar jumped to over 96 cents yesterday on news that 4th Quarter growth in the economy far exceeded analysts' expectations. However, in the longer term this could trigger the Bank of Canada to increase their interest rates, which would have the opposite effect on the currency. *Please note, Fixed Forward Pricing has been changed back to Sig 3.*

Canadian delivered soymeal prices opened lower this morning. Harvest is well underway in South America and continues to enforce a bearish tone for soy. Brazil is expected to see scattered showers, causing some harvest delays, though the effect on markets will likely be minimal. The Loonie has pushed as high as \$0.9701 US overnight, further amplifying losses for soy, lowering the 9-month average to \$334/MT.

Canadian delivered corn prices opened lower this morning. Corn futures started off the week with sharp losses thanks to a stronger US Dollar, and went on to trade relatively flat overnight. Traders are watching long-term and spring flooding forecasts for the US Corn Belt very closely, and forecasted precipitation for these areas will likely have a bullish effect on futures as it increases the likelihood of late plantings.

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

US Slaughter	
429,000—Monday's	
417,000—Monday's (year ago)	
US Iowa/Sthrn MN	\$69.29
Western Corn Belt	\$69.48
Daily National Price	\$69.83
Daily Sig3(M.Leaf)	\$132.72
Daily Sig4(M.Leaf)	\$129.17
4-Month Fwd Avg	\$143.36
#1 Export Sows (+500lbs) \$52.00/cwt	
B of C Ex. Rate (Noon) \$1.0421 CAD / \$.9596 US	
Cash Price (\$/cwt/kg) Cash prices for week ending February 26th, 2010	
58.60 / 129.20 Signature #3	
57.65 / 127.09 Signature #4	
57.24 / 126.20 MPMC Cash	
55.20 / 121.70 Springhill	

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	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Fixed Forward Range (Maple Leaf Sig. #3)		128.18	142.84	146.15	146.74	141.64	130.66	125.13	117.49
		-	-	-	-	-	-	-	-
		138.11	147.10	150.36	147.21	145.78	133.16	131.72	125.13
Estimated Hog Margin	4.43	11.00	19.44	21.88	20.76	18.44	11.82	8.98	4.77
Soymeal Delivered	340	336	336	336	336	334	331	330	323
Corn Delivered	159	161	163	165	167	169	171	173	169



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

