

# Hog Margin Outlook

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Friday, September 17, 2010

**Hog Prices:** ↑ **Soymeal:** ↑

**Corn:** ↑ **Cdn Dollar:** ↓

US Slaughter	
417,000 – Thursday's	
434,000 – Thursday's (year ago)	
US Iowa/Sthrn MN	\$81.16
Western Corn Belt	\$81.09
Daily National Price	\$82.38
Daily Sig3(M.Leaf)	\$152.71
Daily Sig4(M.Leaf)	\$150.23
4-Month Fwd Avg	\$138.19
#1 Export Sows (+500lbs) \$54.00 cwt	
<b>B of C Ex. Rate (Noon)</b> \$1.0274CAD / \$0.9733US	
<b>Cash Prices: Week Ending September 17th, 2010</b>	
68.70/151.46 Signature #3	
68.20/150.36 Signature #4	
67.56/148.94 MPMC Cash	
65.56/144.53 Springhill	

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**Forward contract prices opened higher this morning.** US cash markets trended higher this week but could see some weakness this morning as packers were forced to reduce their planned production run for tomorrow. All US packers had strong incentives to increase their Saturday kill, but hog supplies are the constraint that will keep this week's kill under 2.15 million hogs, close to 100,000 fewer than last year. Strong demand for the primal cuts destined for processing have held wholesale pork prices near constant over the last several weeks. This morning, lean hog futures recovered what they lost in yesterday's trade but futures are expected to continue following the near term cash market trend until after next week's Report. The Canadian Dollar is holding near \$0.97 US, more than 3 cents higher than levels seen just two weeks ago.

**Canadian delivered soymeal prices opened higher this morning.** Soybean Meal futures are trading sharply higher this morning spurred on by gains in the rest of the complex. Risk of frost in various growing areas around the world is the predominant fundamental factor that is contributing to this morning's gains, but technical analysis also supports the continuation of the bullish trend.

**Canadian delivered corn prices opened higher this morning.** Corn futures gained close to 15 cents per bushel in overnight trade, as the commodity followed the lead of other commodity and stock markets influenced higher by fears of inflation in the US Dollar. However, supply and demand fundamentals still supported this move as there is still a great deal of uncertainty in the US crop yield, and ideas that China could be a significantly larger importer this year.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fixed Forward Range (Maple Leaf Sig. #3)		141.38	132.85	132.50	134.40	145.35	142.59	145.84	155.93	155.93
		141.85	140.43	137.59	143.92	147.25	146.40	155.83	157.83	159.73
(Maple Leaf Sig. #4)		140.12	131.86	132.59	135.59	142.78	141.03	143.17	150.26	152.47
		141.41	138.47	138.10	140.57	144.25	143.98	149.06	152.84	155.05
Estimated Hog Margin		14.23	10.49	11.29	14.31	18.63	18.53	22.36	27.64	28.63
Soymeal Delivered	377	361	367	369	366	370	370	374	374	
Corn Delivered	211	213	215	217	219	221	219			