

Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, September 24, 2010

Hog Prices: ↑ **Soymeal:** ↑

Corn: ↑ **Cdn Dollar:** ↑

US Slaughter	
417,000 – Thursday	
417,000 – Thursday (year ago)	
US Iowa/Sthrn MN	\$81.66
Western Corn Belt	\$81.44
Daily National Price	\$82.88
Daily Sig3(M.Leaf)	\$153.91
Daily Sig4(M.Leaf)	\$151.67
4-Month Fwd Avg	\$137.49
#1 Export Sows (+500lbs) \$54.00 cwt	
B of C Ex. Rate (Noon) \$1.0310CAD / \$0.9699US	
Cash Prices: Week Ending September 24th, 2010	
68.70/153.63 Signature #3	
68.20/150.87 Signature #4	
67.56/150.69 MPMC Cash	
65.56/146.06 Springhill	

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Forward contract prices opened higher this morning. The growing hog supply is expected to trigger a bearish trend in the cash market over the next couple of weeks. Packers are dealing with good operating margins, but will find it easier to meet their production schedules. Lean Hog futures are trading higher this morning, in high volatility, leading up to this afternoon's release of the USDA Hogs & Pigs Report. The report is highly anticipated by the market as traders look for explanations for the tight supply of hogs in the last month and insight on near term numbers. The average industry estimate for the major categories are as follows: All Hogs and Pigs - 97.3%, Kept for Breeding - 98.9%, Kept for Marketing - 97.2%. The Canadian Dollar is finishing the week at US\$0.97, near steady with where it started. Forward contract prices represent fair value compared to the current cash market, but prices could swing by as much as \$5.00/ckg on Monday in reaction to today's report.

Canadian delivered soymeal prices opened higher this morning. The noticeable lack of export sales announcements has had little impact on the soybean complex, with traders starting to consider weather and planting progress in South America. Harvesting the US crop is still progressing at better than average pace, despite recent weather hampering progress.

Canadian delivered corn prices opened higher this morning. Concern over this year's average US crop yield continues to play the primary driver of corn prices. Heavy rains through parts of Minnesota, may have damaged the crop that had the best yield potential. However, corn prices are still down more than 20 cents from their highs a week ago.

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fixed Forward Range (Maple Leaf Sig. #3)		141.07	132.59 140.12	130.80 137.30	132.68 142.11	143.53 145.41	141.41 145.18	145.91 155.89	156.12 158.02	156.12 159.93
(Maple Leaf Sig. #4)		139.73	131.59 138.15	132.32 137.79	133.87 138.80	140.99 143.00	139.86 142.78	143.23 149.12	150.45 153.03	152.66 155.23
Estimated Hog Margin		14.23	10.49	11.29	14.31	18.63	18.53	22.36	27.64	28.63
Soymeal Delivered	384	367	374	376	373	376	376	379	379	379
Corn Delivered	212	212	212	214	216	218	220			