

Hog Margin Outlook

Meeting Your Marketing Needs

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Tuesday, October 12, 2010

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

US Slaughter	
2.253 Mill. – Last Week's	
2.292 Mill. – Last Week's (year ago)	
US Iowa/Sthrn MN	\$71.41
Western Corn Belt	\$71.28
Daily National Price	\$77.52
Daily Sig3(M.Leaf)	\$132.43
Daily Sig4(M.Leaf)	\$139.47
4-Month Fwd Avg	\$130.72
#1 Export Sows (+500lbs) \$50.00 cwt	
B of C Ex. Rate (Noon) \$1.0136CAD / \$.9866US	
Cash Prices: Week Ending October 8th, 2010	
63.45/139.89 Signature #3	
65.60/144.63 Signature #4	
62.97/138.82 MPMC Cash	
60.50/133.38 Springhill	

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Forward contract prices opened higher this morning. U.S. cash markets started the week slightly higher as packers are ramping up their weekday kills, reflecting the recent surge in hog supplies. Pork product values provided the needed support to the more aggressive bidding by packers, as Friday's pork cut-out rallied by more than \$2.50/cwt. Gains in the corn market over the last several days has dictated the direction of the deferred month lean hog futures as the 20% rally in the last week has all but eliminated the potential for expansion in the hog supply. Projections of poor profitability in response to the rally in feed costs have U.S. producers holding back on plans to grow their herd. The Canadian Dollar is maintaining its level well above U.S.\$0.98 as traders believe that the U.S. Federal Reserve may start another round of money creation, which strengthens the loonie.

Canadian delivered soymeal prices opened higher this morning. The soybean complex is trading higher this morning as spillover support from corn continues to move prices higher. Soybeans reached their exchanged-imposed limits on Friday, and are expected to remain high. Excellent weather conditions in the Midwest, aiding in harvest, may provide a cap to upside movement.

Canadian delivered corn prices opened higher this morning. Corn markets rose higher on Monday, setting fresh 2-year highs, and are trading mixed this morning. Concerns regarding the 2010 crop not matching the high demand situation are the driving force behind the bullish movement. Traders are expecting corn to reach the \$6.00 mark, and subsequently increase corn acres for 2011.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Fixed Forward Range (Maple Leaf Sig. #3)		123.65 124.11	122.62 128.30	124.49 133.81	135.21 137.08	138.29 142.02	141.84 151.65	153.99 155.86	153.99 157.73	
(Maple Leaf Sig. #4)		123.43 126.31	123.98 129.56	126.24 131.30	133.28 135.45	137.16 140.05	139.62 145.41	148.75 151.29	150.75 153.28	
Estimated Hog Margin		6.61	7.21	9.97	15.18	16.39	18.62	25.12	25.84	
Soymeal Delivered	384	382	382	382	391	391	391	391	394	394
Corn Delivered	218	218	218	220	222	224	226			