

# Hog Margin Outlook

Meeting Your Marketing Needs

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Thursday, October 14, 2010

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

US Slaughter	
425,000 – Wednesday's	
434,000 – Wednesday's (year ago)	
US Iowa/Sthrn MN	\$68.69
Western Corn Belt	\$68.69
Daily National Price	\$74.93
Daily Sig3(M.Leaf)	\$126.29
Daily Sig4(M.Leaf)	\$133.40
4-Month Fwd Avg	\$124.36
#1 Export Sows (+500lbs) \$47.00 cwt	
<b>B of C Ex. Rate (Noon)</b> \$1.0030CAD / \$0.9970US	
<b>Cash Prices: Week Ending October 8th, 2010</b>	
63.45/139.89 Signature #3	
65.60/144.63 Signature #4	
62.97/138.82 MPMC Cash	
60.50/133.38 Springhill	

*This information is intended to help you make pricing decisions. Opinions given do not guarantee any future events or performance. Any unauthorized distribution of the HMO is prohibited without the consent of the author.*

**Forward contract prices opened lower this morning.** U.S. cash markets remain volatile with some regions rallying while others are seeing weakness. Yesterday's drop in the pork cut-out was triggered by a more than 10% drop in ham values despite the next month typically being the strongest for hams, ahead of the U.S. Thanksgiving Holiday. 2011 lean hog futures were down sharply, reacting in the opposite direction as would be expected due to the EPA's announcement to increase the blending rate of ethanol from 10% to 15%. The announcement has direct implications on corn prices, with the possibility of increasing demand (for ethanol use), which could cut into hog producer profit margins. The Canadian Dollar remains close to parity at just over U.S.\$0.99, putting pressure on forward contract prices.

**Canadian delivered soymeal prices opened higher this morning.** Soybean futures continue their upward movement this morning as a weaker U.S. Dollar and spillover support from corn persist in taking their toll. Export demand is also contributing to the bullish movement, with China remaining a consistent buyer of U.S. soybeans. China is forecasted to purchase 10 million bushels/week for the next year.

**Canadian delivered corn prices opened higher this morning.** Increased buying from ethanol plants, livestock producers, and other corn using facilities is the main factor behind the upward movement of corn. Rising prices for ethanol are allowing plants to remain profitable. Projected corn stocks are currently below 1 billion bushels, leaving little room for error with next year's crop.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Fixed Forward Range (Maple Leaf Sig. #3)		116.91 117.37	116.63 121.52	118.48 127.72	129.10 130.95	131.50 135.20	134.65 144.34	148.40 150.25	148.40 152.10	
(Maple Leaf Sig. #4)		116.87 119.73	117.76 122.94	120.37 125.37	127.34 129.49	130.56 133.42	132.63 138.35	143.35 145.85	145.32 147.82	
Estimated Hog Margin		6.61	7.21	9.97	15.18	16.39	18.62	25.12	25.84	
Soymeal Delivered	374	376	379	382	385	385	384	384	389	389
Corn Delivered	222	222	222	224	226	228	230			



## Rothsay Animal Vegetable Feed Fat

**\$673/tonne ↓ (2 – 19 mt)**

To place your order call 1-866-768-4729

\*Price quoted is FOB Southeast Manitoba

