

# Hog Margin Outlook

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Monday, October 18, 2010

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

US Slaughter	
2.263 Mill. – Last Week's	
2.292 Mill. – Last Week's (year ago)	
US Iowa/Sthrn MN	\$63.97
Western Corn Belt	\$63.93
Daily National Price	\$72.77
Daily Sig3(M.Leaf)	\$118.45
Daily Sig4(M.Leaf)	\$130.56
4-Month Fwd Avg	\$125.55
#1 Export Sows (+500lbs)	\$47.00 cwt
<b>B of C Ex. Rate (Noon)</b>	\$1.0108CAD / \$0.9893US
<b>Cash Prices: Week Ending October 15th, 2010</b>	
57.85/127.53 Signature #3	
61.31/135.16 Signature #4	
57.69/127.19 MPMC Cash	
54.76/120.72 Springhill	

**Forward contract prices opened higher this morning.** U.S. cash markets are expected to start this week lower with packer demand for live supplies dulled by the 10% drop in the pork cut-out over the last two weeks. Hog supplies are abundant at an estimated 2.26 million hogs/week and approaching levels seen last year at this time of 2.29 million. These fundamental factors provide most of the rationale behind the recent drop in Lean hog futures, but last week's release of the August pork exports lacked any support. U.S. pork exports were down 1% from last year's levels. Technical indicators have also been bearish, leading funds to trim the size of their long position over the last week. The Canadian Dollar is down more than a cent and a half from last week's highs that broke through par value with the U.S. Dollar.

**Canadian delivered soymeal prices opened lower this morning.** The soybean complex reversed its upward trend this morning as the U.S. Dollar increased in strength and conditions for planting in South America improved. The bearish movement may be limited, however, the U.S. continues to see strong export demand from China, after private export sales of 120,000 tons were announced today.

**Canadian delivered corn prices opened lower this morning.** Corn futures moved slightly lower under pressure from a stronger U.S. Dollar. Dry weather in the Midwest is allowing for the corn harvest to progress rapidly, with 65-70% of the crop harvested as of Sunday. Traders are waiting on yield results from Minnesota and the Dakotas in order to create more accurate estimates.

*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.*

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Fixed Forward Range (Maple Leaf Sig. #3)		116.28	118.34	118.81	129.55	133.00	137.11	152.24	152.24	
		116.28	120.47	128.15	131.42	136.74	146.98	154.12	156.00	
(Maple Leaf Sig. #4)		115.85	116.75	120.75	127.80	132.05	135.05	147.06	149.06	
		115.85	121.99	125.81	129.97	134.95	140.87	149.61	151.61	
Estimated Hog Margin		6.61	7.21	9.97	15.18	16.39	18.62	25.12	25.84	
Soymeal Delivered	376	376	379	382	385	385	392	392	392	392
Corn Delivered	222	222	222	224	226	228	230			



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