

Hog Margin Outlook

Meeting Your Marketing Needs

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Friday, October 22, 2010



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

US Slaughter	
423,000 – Thursday's	
429,000 – Thursday's (year ago)	
US Iowa/Sthrn MN	\$62.54
Western Corn Belt	\$62.29
Daily National Price	\$68.09
Daily Sig3(M.Leaf)	\$116.84
Daily Sig4(M.Leaf)	\$123.68
4-Month Fwd Avg	\$128.52
#1 Export Sows (+500lbs) \$43.25 cwt	
B of C Ex. Rate (Noon) \$1.0233CAD / \$0.9772US	
Cash Prices: Week Ending October 22nd, 2010	
53.22/117.32 Signature #3	
57.61/127.00 Signature #4	
53.29/117.49 MPMC Cash	
50.09/110.42 Springhill	

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Forward contract prices opened higher this morning.

Packers are rounding out the week with lower bids as producer marketings are simply outpacing packer demand. Packers have added hours to their Saturday slaughter schedule to take advantage of the abundant supply and good margins that have resulted. Lean hog futures have resisted the influence of the recent downturn in the cash market and continue to hold a better than average premium over current cash prices. Fund selling continues, albeit at a slower pace than was expected, given the weak cash market trend. The Canadian Dollar has seen significant volatility in the last week, as the prospect of a slow growing Canadian economy is weighed off against other countries taking action to devalue their currencies in an effort to bolster their exports.

Canadian delivered soymeal prices opened higher this morning.

Strong export demand, particularly to China, remains the driving force behind the bullish movement of soybeans this morning. A stronger yuan, higher crushing margins, and rising consumption of meat and animal feed are the cause for increased Chinese demand. Strong harvest reports from farmers in the U.S. may limit upside potential.

Canadian delivered corn prices opened steady this morning.

Corn markets are trading steady this morning on the expectation that export demand will improve once buyers become accustomed to the higher prices. With the USDA announcing a sale of 120,000 tons of U.S. corn to South Korea, traders anticipate other countries to restart importing.

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Fixed Forward Range (Maple Leaf Sig. #3)		118.14	119.24	123.48	132.92	135.27	139.89	153.70	154.65	156.67
		118.14	122.85	131.50	136.69	139.05	149.83	157.01	159.37	158.57
(Maple Leaf Sig. #4)		118.60	119.51	124.87	132.00	135.75	138.31	148.84	153.05	152.81
		118.60	124.79	129.99	134.56	137.94	145.82	152.69	155.25	154.65
Estimated Hog Margin		0.42	1.97	4.69	9.13	12.73	14.92	23.80	24.51	
Soymeal Delivered	387	388	391	393	396	396	400	400	403	403
Corn Delivered	224	224	224	226	228	230	232			



LYSINE ANDREW or WENDY
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