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Hog Margin Outlook

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Monday, May 09, 2011

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

US Slaughter	
1.989 Mill. — Last Week's	
2.022 Mill. — Last Week's (year ago)	
US Iowa/Sthrn MN	$88.76
Western Corn Belt	$88.14
Daily National Price	$91.29
Daily Sig3(M.Leaf)	$155.37
Daily Sig4(M.Leaf)	$155.83
4-Month Fwd Avg	$154.27
#1 Export Sows (+500lbs) $42.00cwt	
B of C Ex. Rate (Noon) $0.9617CAD / $1.0398US	
Cash Prices: Week Ending May 6th, 2011	
70.79/156.06 Signature #3	
71.20/156.96 Signature #4	
70.10/154.54 MPMC Cash	
70.13/154.61 Hylife	

Forward contract prices opened higher this morning. U.S. packers are starting the week with the intent to recover some of their operating margin as margins are estimated to be too low to cover the fixed costs of most packing plants. The pork product market has moved in a counter seasonal trend over the last few weeks, dropping close to 10% of its value. Some analysts cite higher prices on all consumer products with particular influence from gas as the reason why pork prices have stalled in the middle of the normally strong seasonal trend. Lean hog futures were among the first to accept the divergence from the seasonal trend, resulting in the current discount that summer month contracts hold when compared to the cash market.

Canadian delivered soymeal prices opened higher this morning. An increase in corn planting progress in the Midwest as farmers experience a small break from the rain has soybean prices moving higher. Weakness in the U.S. Dollar and spillover strength from wheat are also contributing to the bullish movement. Traders estimate planting to be 6% complete in the U.S., which is well below the 10-year average of 20%.

Canadian delivered corn prices opened higher this morning. After decreasing more than 9% last week, corn prices are starting stronger despite a slight increase in planting progress. Excess moisture throughout the Corn Belt and near record flooding from the Mississippi River are causing major delays in seeding. Private analysts estimate planted acres to reach 91.9 million acres, below the USDA estimate of 92.2 million.

	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Fixed Forward Range (Maple Leaf Sig. #3)		156.24 157.13	157.05 157.94	154.05 160.38	150.49 151.38	144.73 150.52	137.69 143.13	138.67 142.68	139.65 145.92	146.37 148.16
(Maple Leaf Sig. #4)		154.40 155.26	154.32 155.88	156.43 157.46	150.13 152.20	144.46 148.95	136.79 142.14	138.77 141.62	139.31 142.95	145.38 146.07
Soymeal Delivered	390	392	396	409	411	394	396	396		
Corn Delivered	269	271	273							