

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

Hog Margin Outlook

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Friday, July 29, 2011

Forward contract prices opened higher this morning. U.S. cash markets are trading higher to finish the week, resulting in a \$5.00/cwt gain over week ago levels. Driving packer bids is a strong pork cut-out market that was valued at over \$104/cwt, a new record for the benchmark wholesale price. Packers are getting signals from export markets of strong demand, in spite of the record high prices. Lean Hog futures are also starting to factor in stronger demand, as represented by the increases to August and October futures, gaining \$0.50/cwt and \$1.00/cwt respectively. 4th Quarter Lean Hog futures are within \$2.00/cwt of their contract highs, reflecting renewed optimism for the cash market this fall. The Canadian Dollar is down about 70 basis points from yesterday's close, after a report showed that U.S. economic growth was slower than most were anticipating.

Canadian delivered soymeal prices opened lower this morning. The soybean complex is trading in the middle of its 3 month trading range, with the recent trend being down. Precipitation throughout the Midwest, and in particular for the dry southern regions is impacting prices this morning. However, most analysts are anticipating a reduction in soybean production on the next WASDE report, reflecting the impact of July's heat wave on the crop.

Canadian delivered corn prices opened lower this morning. Much needed weather relief to the central U.S. is in the forecast, meaning the rain will provide balance to corn crops. Economists are pegging corn supply as being 300 million bushels lower than USDA's average production figure for July. Corn forecasts are expected to display a normal carry, \$6.85 in 2011 and forecast of \$7.10 in 2012.

US Slaughter	
404,000 — Thursday's	
398,000 — Thursday's (year ago)	
US Iowa/Sthrn MN	\$101.12
Western Corn Belt	\$100.57
Daily National Price	\$99.97
Daily Sig3(M.Leaf)	\$174.83
Daily Sig4(M.Leaf)	\$168.30
4-Month Fwd Avg	\$151.64
#1 Export Sows (+500lbs) \$45.00cwt	
B of C Ex. Rate (Noon) \$0.9484 CAD / \$1.0544US	
Cash Prices: Week Ending July 29th, 2011	
77.98/171.92 Signature #3	
74.91/165.15 Signature #4	
76.31/168.23 H@ms Cash	
74.44/164.10 Hylife	

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	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Fixed Forward Range (Maple Leaf Sig. #3)		161.48	157.97 160.16	152.62 159.67	144.61 150.42	145.58 149.98	145.66 152.71	152.27 155.36	151.60 153.81	151.75 160.96
(Maple Leaf Sig. #4)		163.94	157.31 158.84	151.89 156.15	142.94 148.05	145.67 147.54	144.81 148.48	150.36 152.61	149.28 152.35	149.76 157.14
Soymeal Delivered	387	387	393	393	395	395	400			
Corn Delivered	284	284	284							



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