



Hog Margin Outlook

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Monday, August 29, 2011

Forward contract prices opened mixed this morning. U.S. cash markets are still trading weaker after last week saw packers cut bids by more than \$5.00/cwt in some regions. After a huge Saturday slaughter of 62,000 hogs, it was obvious that marketings had finally started to pick up, compensating for slow growth rates of July and early August. In spite of the large increase in product supplies, the pork cut-out is still trading better than \$100/cwt with primal ham values holding their value at near \$85/cwt, 15% higher than year ago levels. Lean Hog futures are trading near steady this morning, despite the cash market narrowing the discount to the October contract to less than \$5.00/cwt. The Canadian Dollar is trading nearly half a cent higher in early morning trade. The Chairman of the Federal Reserve commented on Friday that no new stimulus for the U.S. economy is currently required, and this is impacting financial markets this morning.

Canadian delivered soymeal prices opened mixed this morning. Soybeans average yield came in at 41.8 bu/acre from the Pro Farmer tour, which is comparable to the USDA estimate at 41.4 in the August Report. The tour did acknowledge that rain would be required to support the higher yields. The weather forecast does indicate active rain for the corn belt, limited to the central Midwest section. The decline in corn production could spill over demand to soymeal, further supporting the lofty prices.

Canadian delivered corn prices opened higher this morning. Corn's bullish trend is still intact; the nearby contract is starting at its highest level in more than two months. Reinforcement comes from the Pro Farmer tour; that reduced the crop by 3% below the U.S. Government's estimate to 12.5 billion bushels. This tight supply estimate is causing prices to rise and could initiate a reduction in demand. USDA will provide an update on demand today.

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

US Slaughter	
2.11 Mill—Last Week's	
2.12 Mill—Last Week's (year ago)	
US Iowa/Sthrn MN	\$92.15
Western Corn Belt	\$91.86
Daily National Price	\$99.56
Daily Sig3(M.Leaf)	\$165.90
Daily Sig4(M.Leaf)	\$174.13
4-Month Fwd Avg	\$144.32
#1 Export Sows (+500lbs)	\$58.50 cwt
B of C Ex. Rate (Noon)	
\$0.9853 CAD / \$1.0149 US	
Cash Prices: Week Ending August 26th, 2011	
78.66/173.42 Signature #3	
81.15/178.90 Signature #4	
78.38/172.79 H@ms Cash	
79.69/175.69 Hylife	

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	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Fixed Forward Range (Maple Leaf Sig. #3)		145.94 153.12	138.99 144.90	139.97 144.46	142.89 150.07	149.62 153.56	151.77 154.01	154.67 164.21	168.02 171.66
(Maple Leaf Sig. #4)		146.71 151.05	139.28 144.40	141.88 143.97	143.41 147.23	149.31 153.57	150.44 153.57	153.64 161.21	165.44 170.89
Soymeal Delivered	419	422	427	430	434				
Corn Delivered	300								

Rothsay Animal Vegetable Feed Fat

\$945 tonne ↓ (2 – 19 mt)

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