

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

# Hog Margin Outlook

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**Wednesday, September 21, 2011**

**Forward contract prices opened higher this morning.** Cash hog markets are opening steady to slightly higher as packers continue to be aggressive buyers at the expense of their operating margins. The pork cut-out has held well despite the significant increase in pork supplies over the last week. However, packers have been bidding the hog market up higher than the gains in the pork prices, resulting in an unsustainable short term trend. Nearby Lean Hog futures surged higher in trade yesterday, as traders focused on the \$5.00 rally in cash prices seen over the last two weeks. Chinese imports are likely the factor making the difference on the demand side of the equation, with recent estimates putting total U.S. exports to China at well over 1 million tons, nearly 40% higher than year ago levels. The Canadian Dollar has been on a weaker trend so far this week, seeing influence from the International Monetary Fund report forecast weaker economic growth and lower oil prices.

**Canadian delivered soymeal prices opened lower this morning.** Soybean markets are being pressured by demand related factors at a time when supply fundamentals typically dictate the direction of the trend. Dry weather forecast for most of the U.S. Midwest over the next week, should be a bearish influence on the whole complex.

**Canadian delivered corn prices opened lower this morning.** Corn prices have now seen more than \$1.00/bushel drop over the last month of trading at a time when the condition of the crop has deteriorated at a higher pace than is typically seen at this time of year. The USDA pegs the percentage of the U.S. crop that is rated Good/Excellent down to 51%, one of the lowest rated crops in the last 10 years.

<b>US Slaughter</b>	
424,000 – Tuesday's	
415,000 – Tuesday's (year ago)	
Western Corn Belt	\$90.15
Daily National Price	\$89.62
Daily Sig3(M.Leaf)	\$163.99
Daily Sig4(M.Leaf)	\$157.87
4-Month Fwd Avg	\$148.61
#1 Export Sows (+500lbs) \$49.50 cwt	
<b>B of C Ex. Rate (Noon)</b> \$0.9924 CAD / \$1.0076 US	
<b>Cash Prices: Week Ending September 16th, 2011</b>	
70.88/156.26 Signature #3	
69.77/153.81 Signature #4	
69.70/153.65 h@ms Cash	
68.11/150.15 Hylife	
ISO Weans \$15-50US	
Feeder Pigs \$31-38US	

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Fixed Forward Range (Maple Leaf Sig. #3)		152.67	141.76 147.81	142.77 147.35	142.06 151.70	153.54 156.75	155.65 157.03	157.06 165.84	169.90 174.01	168.98 174.92
(Maple Leaf Sig. #4)		154.50	143.67 148.64	146.33 148.29	145.75 150.73	153.93 155.26	155.26 157.22	156.43 162.98	166.38 172.04	169.74 173.63
Soymeal Delivered	375	369	375	375	381					
Corn Delivered	284	284								

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**\$935 tonne ↓ (2 – 19 mt)**

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