



Hog Margin Outlook

Meeting Your Marketing Needs

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

US Slaughter	
432,000 – Wednesday's	
425,000 – Wednesday's (year ago)	
Western Corn Belt	\$77.74
Daily National Price	\$82.29
Daily Sig3(M.Leaf)	\$145.83
Daily Sig4(M.Leaf)	\$149.48
4-Month Fwd Avg	\$157.85
#1 Export Sows (+500lbs) \$45.00cwt	
B of C Ex. Rate (Noon) \$1.0234CAD / \$0.9771US	
Cash Prices: Week Ending December 23rd, 2011	
67.94/149.79	Signature #3
70.22/154.80	Signature #4
67.13/148.00	h@ms Cash
68.61/151.25	Hylife
ISO Weans	\$35-59.60US
Feeder Pigs	\$53-72.00US

Thursday, December 29, 2011

Forward contract prices opened lower this morning. U.S. cash markets appear to be finishing out the year on a lower trend, but still close to US\$10/cwt higher than year ago levels. 2011 prices consistently outpaced any year of the last 10, with cash prices in every week of 2011 being the highest. Lean Hog futures are trading at a discount to the cash prices seen in 2011, with the August 2012 contract currently trading at about \$95/cwt or \$10 lower than the cash prices of August 2011. The primary factor working into this discount is a belief by traders that export sales will not match what was seen in 2011. 2012 summer contracts remain good value given the poorer outlook for export sales and the expectation that pork production will creep higher. The Canadian dollar is seeing limited trade, but looks to be finishing the year approximately 2-3 cents lower than year ago levels.

Canadian delivered soymeal prices opened higher this morning. Soybean crops in South America are seeing dry conditions, which could increase U.S. export demand. Tomorrow the weekly export sales figures will be released. The U.S. biodiesel subsidy is gone at the end of this month, as a result production is expected to drop off.

Canadian delivered corn prices opened higher this morning. Worries that Argentina may lose 5-6 million tonnes off of the December USDA estimate of 29 million tonnes is providing support for U.S. corn exports. Argentina's weather forecast is threatening yield potential during the crucial pollination phase. There is a lack of rain combined with increasing temperatures forecast for the next couple weeks.

	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct
Fixed Forward Range (Maple Leaf Sig. #3)			151.35 153.69	153.54 154.95	156.61 165.55	170.54 173.84	169.13 175.72	172.48 173.42	158.68 173.56	154.91 154.91	153.30 155.66
(Maple Leaf Sig. #4)			151.01 152.59	152.59 154.95	155.30 162.23	167.15 171.44	170.71 173.08	170.67 171.58	161.05 170.53	151.20 156.12	153.47 155.48
Soymeal Delivered	365	363	365	368	372	375	381	384	389	396	
Corn Delivered		262	264								

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