



# Hog Margin Outlook

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Friday, January 27, 2012

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

<b>US Slaughter</b>	
422,000 – Thursday's	
421,000 – Thursday's (year ago)	
Western Corn Belt	\$89.08
Daily National Price	\$86.89
Daily Sig3(M.Leaf)	\$163.06
Daily Sig4(M.Leaf)	\$154.02
4-Month Fwd Avg	\$158.42
#1 Export Sows (+500lbs) \$46.75cwt	
<b>B of C Ex. Rate (Noon)</b> \$0.9986CAD / \$1.0014US	
<b>Cash Prices: Week Ending January 27th, 2012</b>	
72.05/158.84	Signature #3
69.91/154.12	Signature #4
70.31/155.00	h@ms Cash
n/a	Hylife
ISO Weans	\$57-69US
Feeder Pigs	\$58-74.50US

**Forward contract prices opened mixed this morning.** U.S. cash markets spiked up higher yesterday, applying more pressure to packers in the form of negative operating margins. The weighted average price for hogs purchased in the Western Cornbelt region was \$89.08/cwt yesterday, while the aggregate value of all the meat cuts was reported at \$83.29/cwt. This implies that packers were losing close to \$12 per hog without considering operating costs or the value of byproducts. This is unsustainable in the longer term and packers will be forced to drop their cash bids dramatically unless a significant improvement is made in pork prices. Lean Hog futures will start to factor the poor margins into the February and April contracts, with the summer month contracts likely seeing influence as well. The Canadian dollar is holding shy of parity with the U.S. Dollar, as investors remain uneasy about the future of the Euro.

**Canadian delivered soymeal prices opened lower this morning.** Buenos Aires Grain Exchange forecasted the Argentina soybean crop to be lower by 4.3 million tonnes than the USDA estimate to 46.2 million tonnes. U.S. meal sales came in higher than expected at 124,200 metric tonnes. U.S. soy oil sales were also lower at a mere 2,500 metric tonnes last week.

**Canadian delivered corn prices opened mixed this morning.** Buenos Aires Grain Exchange also reduced the corn forecast by 4 million from the USDA estimate, to 22 million tonnes. Corn weekly sales are above expectations at 958,100 metric tonnes. Cumulative corn sales are at 63.7% of the forecasted amount, which is higher than the five year average of 57.9%.

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov
Fixed Forward Range (Maple Leaf Sig. #3)			145.78	148.86	167.27	165.89	171.10	162.63	156.96	150.12	140.27
			147.61	157.61	170.49	172.34	172.02	172.33	158.35	157.06	145.35
(Maple Leaf Sig. #4)			145.97	147.54	163.67	166.88	168.73	163.39	157.01	148.78	140.58
			147.75	154.85	167.78	170.09	169.62	169.48	161.30	155.94	145.77
Soymeal Delivered	357	357	362	370	370	377	377	385			
Corn Delivered	264	266	270								

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**Rothsay Animal Vegetable Feed Fat**  
 \$835 tonne ↓ (2 – 19 mt)

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