

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

Hog Margin Outlook

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Monday, April 09, 2012

Forward contract prices opened higher this morning. U.S. cash markets are expected to hold firm to start the week, as there are offsetting effects of poor profit margins and tightening hog supplies. Packers have run with negative operating margins for most of the year, but as export markets slow down, they are being forced to rely more heavily on the domestic market and therefore will attempt to get their cash bids aligned with these prices. However, hog supplies are on the verge of tightening by about 10% over the next 2 months, which will force packers to compete more aggressively to meet the production requirements. Lean Hog futures are generally holding their value, however the trend has been that the deferred month contracts gain value relative to the nearby months. The Canadian Dollar is trading at par value this morning, in the middle of the 2012 trading range.

Canadian delivered soymeal prices opened higher this morning. The soybean complex is trading only slightly lower this morning after a period of high volatility in trade last week. However, this may only be a brief reprieve from the volatility as the USDA is scheduled to release their WASDE Report tomorrow morning, which could prove contentious. Of concern is what they forecast the South American production to be in light of the poor growing conditions experienced there over the last several months.

Canadian delivered corn prices opened higher this morning. Corn futures are lower this morning, in spite of the bullish view that estimates of U.S. stocks will shrink from last month's estimate. A survey of traders peg the 2011-12 ending stocks at 717 million bushels, down about 100 million bushels from last month's WASDE Report estimates.

<i>US Slaughter</i>	
2.11 Mill. — Last Week's	
2.06 Mill — Last Week's (year ago)	
Western Corn Belt	\$83.23
Daily National Price	\$82.83
Daily Sig3(M.Leaf)	\$151.46
Daily Sig4(M.Leaf)	\$145.97
4-Month Fwd Avg	\$161.83
#1 Export Sows (+500lbs) \$48.00cwt	
B of C Ex. Rate (Noon) \$0.9928CAD / \$1.0073US	
Cash Prices: Week Ending April 6th, 2012	
67.04/147.80	Signature #3
66.52/146.65	Signature #4
66.00/145.51	h@ms Cash
64.92/143.13	Hylife
ISO Weans \$31-41US	
Feeder Pigs \$65-78US	

	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Fixed Forward		159.87	159.41	164.54	157.22	154.15	146.67	138.06	139.89
Range (Maple		164.00	165.83	165.46	166.87	154.61	153.54	143.10	144.01
Leaf Sig. #3)									
(Maple Leaf Sig.		157.92	161.11	162.89	158.48	154.26	145.40	138.84	138.84
#4)		162.00	164.31	163.78	164.71	158.80	152.85	143.98	144.69
Soymeal									
Delivered	438	439	441	443	446	449			
Corn Delivered	270	272							

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