



# Hog Margin Outlook

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Friday, May 04, 2012

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

US Slaughter	
409,000	— Thursday's
403,000	— Thursday's (year ago)
Western Corn Belt	\$76.94
Daily National Price	\$82.19
Daily Sig3(M.Leaf)	\$139.17
Daily Sig4(M.Leaf)	\$143.97
4-Month Fwd Avg	\$146.59
#1 Export Sows (+500lbs)	\$42.00cwt
<b>B of C Ex. Rate (Noon)</b> \$0.9868CAD / \$1.0134US	
<b>Cash Prices: Week Ending May 04th, 2012</b>	
63.78/140.61	Signature #3
65.59/144.61	Signature #4
63.33/139.61	h@ms Cash
n/a	Hylife
ISO Weans \$23-32US	
Feeder Pigs \$52.50-72US	

**Forward contract prices opened lower this morning.** Cash prices have decreased every day this week as packers attempt to resurrect their poor operating margins. Estimated margins are running at close to \$2.00/hog, when you consider the value of the muscle cuts against the cash price they paid for the animal. This estimate does not capture the value of product destined for export markets, which has a major impact on a packer's true profitability. Since the start of 2012, it is estimated that exports to China have been cut in half, causing a major distortion in that revenue stream to U.S. packers. As a result, summer month Lean Hog futures are representing only a modest premium over the current cash market as traders are pessimistic about export sales. The Canadian dollar is seeing weakness this morning after U.S. employment data showed slower than expected job creation. In spite of the disappointment, the U.S. unemployment rate dropped slightly to 8.1%.

**Canadian delivered soymeal prices opened mixed this morning.** Weekly soybean export sales surpassed the expected 1.3-1.5 million tonnes, coming in at 1.732 million tonnes. Recent analysis suggests a decrease of 2 million tonnes in South America's soybean production forecast, a reduction of 5%. This news adds pressure to already tight U.S ending stocks.

**Canadian delivered corn prices opened lower this morning.** Net weekly export sales of corn came in strong, totalling 3.472 million tonnes. Nearby futures contracts are supported by news of limited exports by Argentina to China due to disputes related to approved GMO varieties. Weather forecasts are looking excellent for early corn planting.

	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Fixed Forward Range (Maple Leaf Sig. #3)		140.42	147.84	141.90	143.40	136.61	130.36	132.19	131.05	137.90
		146.80	148.75	151.49	143.85	143.47	135.39	136.30	136.53	140.18
(Maple Leaf Sig. #4)		143.56	147.59	144.49	144.17	136.01	131.72	131.72	132.74	137.17
		147.09	149.00	150.68	148.68	143.62	136.86	137.57	134.69	138.40
Soymeal Delivered	483	483	485	489	491					
Corn Delivered	276	276								

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For more information contact: Amanda Krasey @ (204)235-2237