



Hog Margin Outlook

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Wednesday, August 29, 2012

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

Forward contract prices opened lower this morning. U.S. cash markets dropped an additional \$2.00/cwt in trade yesterday, as packers continue to pass on weakness in the pork cut-out. Pork production has been running more than 8% larger than year ago levels, with increased numbers and weights contributing to the excess supply. All of pork's primal cuts reported by the USDA were lower as the supply is simply overwhelming current consumption trends. The spike in pork production has come as a bit of surprise to most traders, with many still seeing the gains over year ago levels being a temporary occurrence. Lean Hog futures have been relatively stable so far this week, but the weak cash market fundamentals could trigger another step down. However the deferred month contracts are seemingly unaffected by the cash market, with summer 2013 contracts holding at just under \$100/cwt, or approximately \$172/pkg on a Canadian delivered forward contract.

Canadian delivered soymeal prices opened higher this morning. Soybean's high prices do not appear to be a demand deterrent to food processors or exporters. Despite lofty prices and tight supplies, demand remains strong as China purchased 110,000 metric tons of soybeans from the U.S. this week. Production in Brazil and Argentina also experienced a drought this year, providing no buffer in supply in South America either.

Canadian delivered corn prices opened higher this morning. Hurricane Isaac is expected to dump rain across the Midwest disrupting the transportation and harvest of the crop. The corn is in poor condition due to the hot and dry summer, if the rain is heavy followed with strong winds the plants may fall over making them unharvestable.

US Slaughter	
431,000—	Tuesday's
419,000 —	Tuesday's (year ago)
Western Corn Belt	\$75.73
Daily National Price	\$85.38
Daily Sig3(M.Leaf)	\$136.93
Daily Sig4(M.Leaf)	\$149.49
Thunder Creek	\$136.58
4-Month Fwd Avg	\$123.82
#1 Export Sows (+500lbs)	\$31.00cwt
B of C Ex. Rate (Noon)	
\$0.9864CAD / \$1.0138US	
Cash Prices: Week Ending August 24th, 2012	
68.47/150.95	Signature #3
71.78/158.25	Signature #4
68.39/150.78	h@ms Cash
69.01/152.13	Hylife
71.35/157.30	Thunder Creek
ISO Weans \$1-10US	
Feeder Pigs \$14-21US	

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fixed Forward Range (Maple Leaf Sig. #3)			122.02	115.03	116.85	121.31	133.14	141.92	146.72	167.28	172.30
(Maple Leaf Sig. #4)			128.82	120.02	120.93	130.41	137.70	143.74	160.39	175.94	176.85
			124.13	118.33	118.33	124.00	133.08	141.48	147.02	163.76	171.26
			130.89	123.43	124.13	129.73	136.95	145.01	157.79	172.14	173.91
Soymeal Delivered	629	629	600	602	602						
Corn Delivered	339	339	310								

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