



Hog Margin Outlook

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

Friday, September 14, 2012

Forward contract prices opened higher this morning.

U.S. cash markets found some support yesterday with a couple of the reporting regions gaining \$0.50/cwt. For the first time in weeks, packers actually increased their bids, as they have ramped up their slaughter schedule to match the available supply of hogs. This week, packers are on pace to slaughter over 2.3 million hogs. The pork cut-out came under some pressure this week, but given the amount of product that the market is clearing, wholesale pork prices have been performing well. As a result, gross packer margins are estimated at over \$25/hog, near the highest levels seen so far this year. Lean Hog futures traded near steady over the week, but have maintained a larger than average premium over the cash market. This suggests that traders anticipate a recovery in hog prices over the next month of between \$5 -\$10/ckg. The Canadian Dollar is hurting hog prices, trading at its highest level in more than a year at US\$1.0350.

Canadian delivered soymeal prices opened higher this morning.

Cumulative commitments of exports sales of soybeans are very high at 72% of USDA's forecast, much greater than the five year average of 36%. If this trend continues we could see a hike in prices that will help ration the demand. Dry weather patterns in Motto Grosso, Brazil are anticipated to deter official soybean planting this weekend.

Canadian delivered corn prices opened higher this morning.

Corn is trading at a discount to wheat in many export ports, so much so that it was noted a South Korean feed mill began purchasing corn instead of feed wheat. Harvest delays for Missouri, central Illinois and northern Indiana are expected this weekend due to storm systems.

US Slaughter	
433,000 – Thursday's	
416,000 – Thursday's (year ago)	
Western Corn Belt	\$63.93
Daily National Price	\$72.27
Daily Sig3(M.Leaf)	\$114.29
Daily Sig4(M.Leaf)	\$125.11
Thunder Creek	\$114.00
4-Month Fwd Avg	\$126.21
#1 Export Sows (+500lbs)	\$29.00cwt
B of C Ex. Rate (Noon)	
\$0.9753CAD / \$1.0254US	
Cash Prices: Week Ending September 14th, 2012	
52.15/114.96	Signature #3
57.92/127.68	Signature #4
52.68/116.14	h@ms Cash
n/a	Hylife
55.47/122.30	Thunder Creek
ISO Weans	\$3.50-20US
Feeder Pigs	\$13-22US

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Fixed Forward Range (Maple Leaf Sig. #3)		121.13	117.05	118.82	119.75	131.30	136.64	141.91	161.40	166.32
		126.02	121.93	122.82	128.64	135.75	138.41	155.32	169.90	170.79
(Maple Leaf Sig. #4)		125.13	122.12	122.12	124.48	133.35	137.57	143.57	158.89	165.82
		130.03	127.11	127.80	130.08	137.14	141.01	154.13	167.12	168.85
Soymeal Delivered	588	589	591	591						
Corn Delivered	321	309								

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