

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

Hog Margin Outlook

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Thursday, September 27, 2012

Forward contract prices opened mixed this morning. U.S. cash markets are trading higher again this morning, continuing a remarkable recovery in prices over the last 4 days. The gains have come at the expense of packer operating margins, which have been cut in half over the last two weeks. However, they are still estimated to be profitable, with the pork cut-out trading just shy of \$80/cwt. This week's slaughter is again expected to be among the largest in the last 3 years, topping close to 2.4 million hogs. Lean Hog futures traders are preparing for tomorrow's release of the September Hogs and Pigs report. The report is highly anticipated as it will show the degree to which U.S. producers have decreased the breeding herd in response to the high feed costs. The attached table is the result of a Dow Jones survey of industry analysts, and suggests no reduction in the breeding herd.

USDA Hogs & Pigs Report	Analysts Estimates	
28-Sep-12	Range	Average
Inventories on Sept 1	Pct of Sept 1, 2011	
All hogs and pigs	99.0-101.7	100.7
Kept for breeding	98.5-100.8	99.9
Kept for market	99.0-101.9	100.8
Under 50 lbs	99.0-101.0	99.9
50-119 lbs	98.0-101.8	100.1
120-179 lbs	99.0-102.9	100.8
180 lbs and over	100.5-104.9	102.6

Canadian delivered soymeal prices opened lower this morning. Soybeans have been on a bearish trend, with China releasing supplies, better than expected U.S. yields and uncertain global domestic demands.

Canadian delivered corn prices opened lower this morning. Anticipated higher reported inventories on Friday's report combined with slow export sales see corn trading lower. Last week's sales were only 400 metric tons, compared to the expectation of 125,000-300,000 tons.

US Slaughter	
436,000 – Wednesday's	
426,000 – Wednesday's (year ago)	
Western Corn Belt	\$75.45
Daily National Price	\$75.26
Daily Sig3(M.Leaf)	\$136.11
Daily Sig4(M.Leaf)	\$131.47
Thunder Creek	\$135.88
4-Month Fwd Avg	\$132.37
#1 Export Sows (+500lbs) \$22.05cwt	
B of C Ex. Rate (Noon) \$0.9842CAD / \$1.0161US	
Cash Prices: Week Ending September 21st, 2012	
53.95/118.94 Signature #3	
55.87/123.18 Signature #4	
53.52/118.00 h@ms Cash	
52.47/115.67 Hylife	
51.53/113.60 Thunder Creek	
ISO Weans \$14.11US Avg	
Feeder Pigs \$16.39US Avg	

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Fixed Forward		122.03	123.84	123.74	135.51	138.86	143.83	161.96	166.96	168.98
Range (Maple Leaf Sig. #3)		123.84	127.90	132.80	140.04	140.67	157.46	170.59	171.50	172.16
(Maple Leaf Sig. #4)		126.57	126.57	127.98	137.01	139.82	145.53	159.48	166.51	167.60
		130.07	131.64	133.68	140.87	143.33	156.26	167.83	169.59	170.24
Soymeal Delivered	544	544	544	547	547					
Corn Delivered	289	289								

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