

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

# Hog Margin Outlook

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Friday, September 28, 2012

## **Forward contract prices opened higher this morning.** U.S.

cash markets experienced strong gains this week as packers started the week by adding about 5% more to Monday's cash bids, followed by more modest gains for the following days. Wholesale pork prices have also moved higher, but packer operating margins have weakened as a result of the higher hog costs seen this week. Lean Hog futures have seen mixed trade with the October contract rallying on the cash strength, while the deferred month contracts have been steady ahead of today's USDA Hogs and Pigs report. Traders are awaiting the results of the report to see if the breeding herd has decreased in response to the sharp rally in feed costs experienced over the last three months. The table to the left is the results of a Dow Jones survey of expectations for this afternoons report.

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 higher this morning.**

Soybean stocks were reported by the USDA at 169 million bushels; this is 21% lower than Sept 1st 2011. While stocks are down, better than expected yields for soybeans may add downward pressure to prices.

## **Canadian delivered corn prices opened higher this morning.**

Estimates of corn stocks were decreased by more than was expected, resulting in firmer corn prices today. Supplies being especially tight after this year's severe drought coupled with the news of corn supplies less than 1 billion bushels have prices on the rise. Commercial facilities are reported to have 988 million bushels as of Sept 1; the expectation was 1.126 billion bushels.

US Slaughter	
434,000 – Thursday's	
426,000 – Thursday's (year ago)	
Western Corn Belt	\$74.86
Daily National Price	\$76.50
Daily Sig3(M.Leaf)	\$134.67
Daily Sig4(M.Leaf)	\$133.26
Thunder Creek	\$132.31
4-Month Fwd Avg	\$131.03
#1 Export Sows (+500lbs) \$22.05cwt	
B of C Ex. Rate (Noon) \$0.9814CAD / \$1.0190US	
Cash Prices: Week Ending September 28th, 2012	
59.92/132.11 Signature #3	
58.65/129.29 Signature #4	
58.70/129.40 h@ms Cash	
n/a Hylife	
55.16/121.60 Thunder Creek	
ISO Weans \$14.11US Avg	
Feeder Pigs \$16.39US Avg	

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Fixed Forward		120.26	122.06	122.57	134.33	139.03	143.57	161.89	166.87	170.11
Range (Maple Leaf		122.06	126.12	131.62	138.85	140.84	157.13	170.48	171.39	173.28
Sig. #3)										
(Maple Leaf Sig.		124.84	124.84	126.84	135.86	139.98	145.24	159.40	166.40	168.68
#4)		128.34	129.92	132.53	139.71	143.48	155.93	167.72	169.47	171.31
Soymeal										
Delivered	544	544	544	547	547					
Corn Delivered	289	289								

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