

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

Hog Margin Outlook

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Wednesday, December 12, 2012

Forward contract prices opened higher this morning. US cash markets continue to lose value as live hog supplies remain ample compared to packer demand. Packers who are less vertically integrated have been cutting bids since the middle of last week, as their operating margins were unprofitable. While there has been a recovery in their margins due to the lower cash market, product prices continue to look soft. Meat export data was released for the month of October recently and showed a modest increase over last year's levels. In spite of the fact that exports to China dropped by 62% from year-ago levels, total pork exports grew by 4%. Increased sales to Mexico, South Korea and Russia accounted for most of the gains with numerous other destinations contributing positively as well. However, with Russia's recent announcement to require rac-topamine-free certification, year-on-year increases will be less likely for the near future. Lean Hog futures appear to have stabilized from last week's losses, but are trading at levels 2% lower than recent highs.

Canadian delivered soymeal prices opened lower this morning. US Soybean futures opened mostly lower this morning. Despite consistent export demand and a 10 million bu. drop in ending stocks estimate announced in the WASDE Report yesterday, sharp declines in the wheat market pulled down soybeans. This resulted in profit taking by traders pushing soybeans lower. The WASDE Report left Argentine and Brazilian estimates virtually unchanged but it is expected that acreage that was allocated to corn has shifted to soybeans in Argentina.

Canadian delivered corn prices opened higher this morning. US corn futures have opened mixed this morning following weakness in wheat and soy markets. While cuts to Argentine production were expected, the WASDE Report lowered estimates by only 500,000 mt; US ending stocks will remain unchanged until January's report. Corn production in China was revised upward by 8 mmt but an increase in domestic usage by the same amount was also recorded. However, Chinese corn imports are down 2.83 mmt from last year.

US Slaughter	
433,000	Tuesday
425,000	Tuesday (year ago)
W. Corn Belt	\$77.92
National Price	\$85.58
Daily Sig 3	\$140.93
Daily Sig 4	\$149.88
Thunder Creek	\$140.63
4-Month Fwd	\$147.95
#1 Export Sows (+500lbs)	\$ 46.00 cwt.
B of C Ex. Rate (Noon)	\$0.9867 CAD/\$1.0134US
Cash Prices: Week Ending December 7, 2012	
Signature 3	69.51/153.24
Signature 4	66.90/147.48
h@ms Cash	67.95/149.80
Hylife	66.02/145.54
Thunder Creek	65.73/144.90
ISO Weans	\$58.79 US Avg.
Feeder Pigs	\$65.47 US Avg.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Fixed Forward Range (Maple Leaf Sig. #3)		136.53 142.87	144.22 147.39	147.94 149.29	150.09 161.88	165.75 174.36	170.73 175.27	173.73 176.01	163.31 173.32	155.57 157.39
(Maple Leaf Sig. #4)		137.21 141.06	143.34 145.27	147.38 148.25	150.00 159.31	161.82 170.08	168.85 172.01	170.71 171.94	163.87 170.48	154.17 160.69
Soymeal Delivered	522	520	520	520	522					
Corn Delivered	291	293	295							

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