



Hog Margin Outlook

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Friday, December 14, 2012

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

US Slaughter	
433,000	Thursday
431,000	Thursday (year ago)
W. Corn Belt	\$79.24
National Price	\$83.81
Daily Sig 3	\$143.02
Daily Sig 4	\$146.49
Thunder Creek	\$142.70
4-Month Fwd	\$150.10
#1 Export Sows (+500lbs)	\$ 46.00 cwt.
B of C Ex. Rate (Noon)	\$0.9847 CAD/\$1.0155US
Cash Prices: Week Ending December 14, 2012	
Signature 3	65.02/143.34
Signature 4	67.70/149.25
h@ms Cash	64.78/142.81
Hylife	n/a
Thunder Creek	69.40/153.00
ISO Weans	\$58.79 US Avg.
Feeder Pigs	\$65.47 US Avg.

Forward contract prices opened higher this morning. US cash markets are trading slightly higher to finish the week, with packer margins substantially better than they were one week ago. With no significant change in the hog supply from last week, packers were able to cut bids to improve their profitability as the price of fresh pork was near unchanged. Seasonal price trends typically start to move lower from here into holidays and could result in packers reducing their bids in an effort to maintain positive operating margins. Lean Hog futures are being supported by ideas that strong exports will be maintained into the New Year, overlooking the impact of Russia's announcement that meat imports must be certified ractopamine free. The Canadian Dollar has appreciated steadily over the last several weeks, currently trading at its highest level in nearly 2 months. The Loonie has been supported by stronger commodity prices and signs of continued growth in the Canadian economy.

Canadian delivered soymeal prices opened higher this morning. US Soybean futures opened higher across all offered contracts this morning supported by strong export sales. Yesterday, soybean sales hit a weekly marketing high, well above trade estimates of 500,000 and 900,000 mt, to stand at 1.32 mmt; the second straight week of exports of over 1 mmt. Of note, over 1 mmt were destined for China. Analysts expect limited medium term gains in the market though as weather improves in South America.

Canadian delivered corn prices opened mixed this morning. Nearby US corn futures opened higher this morning but showed some weakness in the new crop futures months. While export sales of corn have improved somewhat, export demand remains comparatively weak and is exacerbated by weak ethanol demand. There are rumors that some export customers (South Korea) are buying corn with options on origin adding uncertainty in the marketplace.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Fixed Forward		139.32	147.02	149.91	151.93	166.61	171.60	175.01	164.18	156.90
Range (Maple		145.66	150.18	151.27	163.71	175.22	176.13	177.28	174.19	158.26
(Maple Leaf Sig.		139.91	146.05	149.29	151.78	162.66	169.68	171.94	167.80	155.02
#4)		143.77	147.97	150.17	161.08	170.91	172.84	173.17	171.32	161.54
Soymeal Delivered	538	533	533	533	534					
Corn Delivered	289	289	289	291	291					

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