



# Hog Margin Outlook

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Thursday, December 20, 2012

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

US Slaughter	
431,000	Wednesday
435,000	Wednesday (year ago)
W. Corn Belt	\$82.23
National Price	\$82.61
Daily Sig 3	\$148.74
Daily Sig 4	\$144.70
Thunder Creek	\$148.84
4-Month Fwd	\$152.11
#1 Export Sows (+500lbs)	\$ 41.50 cwt.
<b>B of C Ex. Rate (Noon)</b>	\$0.9868 CAD/\$1.0133US
<b>Cash Prices: Week Ending December 14, 2012</b>	
Signature 3	65.02/143.34
Signature 4	67.70/149.25
h@ms Cash	64.78/142.81
Hylife	65.47/144.33
Thunder Creek	69.40/153.00
ISO Weans	\$58.89 US Avg.
Feeder Pigs	\$64.59 US Avg.

**Forward contract prices opened lower this morning.** US cash markets are trading firm, despite packer operating margins estimated to be below breakeven levels. Packers may be finding it difficult to meet their planned slaughter schedule with winter storms delaying some deliveries. While cash bids have found some support, product values are coming under pressure. Ham and picnic primal cuts, together accounting for about 35% of total carcass weight, are down between 10% and 15% from early last week. Traders of Lean Hog futures considered the near term futures to be undervalued, adding more than \$1.00/cwt. in trade yesterday. The combination of the modest premium that the February holds to the cash market and support from other meat markets rallying on lower corn prices is the rationale for the recent gains. The Canadian Dollar is down from early week highs, despite a promising report from Stats Canada showing retail sales hitting a record high for the third consecutive month.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures have opened lower this morning. Analysts note the March futures contract has gained the day before and after Christmas in eight of the past ten years. However, improving South American crop estimates and the Chinese cancellation of 300,000 mt. are taking a toll. As well, issues regarding the impending US fiscal cliff are influencing market trajectory. It is generally accepted that confidence in all asset classes will fade if the fiscal cliff is not addressed.

**Canadian delivered corn prices opened higher this morning.** US corn futures have opened lower this morning and are now trading at less than \$7/bu. Poor export demand and lower demand from ethanol producers is exacerbated by technical selling and profit taking. It appears traders do not have much faith in US corn going into the New Year despite data suggesting historical gains in the pre- and post-holiday season in nine out of the past ten years.

	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Fixed Forward Range (Maple Leaf Sig. #3)		143.77 146.94	148.31 151.49	150.85 152.21	152.80 164.62	167.56 176.20	172.56 177.11	174.46 176.74	163.18 173.37	155.44 157.26
(Maple Leaf Sig. #4)		143.18 144.50	146.78 148.72	149.68 150.56	152.11 161.44	163.58 171.86	170.63 173.80	171.41 172.65	163.74 170.53	154.05 160.57
Soymeal Delivered	506	502	502	502	503					
Corn Delivered	284	287	287							

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Office	h@ms Holiday Schedule	Winnipeg Live Stock
8:00AM– 2PM	Dec. 24 (Mon.)	8:30AM – 12 noon
Closed	Dec. 25 & 26 (Tues. & Wed.)	Closed
8:00AM – 12 noon	Dec. 31 (Mon.)	8:30AM – 12 noon
Closed	Jan. 1 (Tues.)	Closed
Regular Business Hours	Dec. 27, 28 and Jan. 2-4	Regular Business Hours