



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

# Hog Margin Outlook

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Tuesday, January 15, 2013

## Forward contract prices opened higher this morning.

US cash markets started the week with higher bids, but a weaker pork product trade had the impact of pressuring operating margins. Current estimates have packer operating margins in the red after adverse moves in both live bids and the pork cut-out. Pork packer margins are not typically this tight at this time of year, but packers have been slow to adopt the lighter shipping weights, which have persisted for the last 5 months. The latest pork export data was released yesterday representing exports for the month of November. Aggregate pork exports were down from year ago levels by about 6%, while some individual countries posted a gain. Mexico, a price sensitive market and the largest consumer of US pork by volume, purchased 11% more pork in November compared to the same month one year earlier. Overall, 2012 pork export volumes are expected to come in 2% higher than the previous annual record set in 2011.

## Canadian delivered soymeal prices opened higher this morning.

US soybean futures are trading higher across all offered contracts this morning. Demand remains strong for US beans propping nearby prices and despite Chinese cancellations last month, 240,000 mt of soybeans have been ordered from the country since last week. Export pace is 64% of the USDA forecast compared to the 5-year average of 49%. Drier weather in Argentina and southern Brazil is adding a cautious tone to the market with some analysts now saying top yield potential is at risk for the region.

## Canadian delivered corn prices opened higher this morning.

Nearby US corn futures are trading higher this morning. Technical buying is supporting prices in the short term along with evidence that strong feed demand is pushing carryout lower. There is talk that US farmers could plant between 97.5-99 million acres of corn this year, but concerns around soil moisture are pushing yield estimates lower. Export demand remains weak and the pace remains lower at 29% compared to the 5-year average of 34%.

US Slaughter	
431,000	Monday
469,000	Monday (year ago)
W. Corn Belt	\$83.69
National Price	\$85.05
Daily Sig 3	\$150.95
Daily Sig 4	\$148.54
Thunder Creek	\$151.40
4-Month Fwd	\$153.16
#1 Export Sows (+500lbs) \$ 39.50 cwt.	
<b>B of C Ex. Rate (Noon)</b> \$0.9840 CAD/\$1.0162 USD	
<b>Cash Prices: Week Ending January 11, 2013</b>	
Signature 3	68.02/149.95
Signature 4	67.06/147.85
h@ms Cash	66.38/146.35
Hylife	65.59/144.60
Thunder Creek	67.40/148.60
ISO Weans	\$57.28 US Avg.
Feeder Pigs	\$72.61 US Avg.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Fixed Forward Range (Maple Leaf Sig. #3)		146.84	144.89	146.68	161.23	166.22	169.16	160.47	152.75	149.72
		149.10	147.60	158.46	169.84	170.75	171.44	169.35	154.57	153.81
(Maple Leaf Sig. #4)		145.52	145.55	146.51	157.80	164.82	166.63	161.47	151.79	150.71
		146.39	146.43	155.81	166.05	167.98	167.86	166.98	158.30	153.17
Soymeal Delivered	483	483	483	482	482	482				
Corn Delivered	294	296	298							

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