



Hog Margin Outlook

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Tuesday, January 29, 2013

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

US Slaughter	
412,000	Monday
400,000	Monday (year ago)
W. Corn Belt	\$85.74
National Price	\$88.65
Daily Sig 3	\$158.25
Daily Sig 4	\$158.45
Thunder Creek	\$158.24
4-Month Fwd	\$160.99
#1 Export Sows (+500lbs) \$ 35.50 cwt.	
B of C Ex. Rate (Noon) \$1.0069 CAD/\$0.9931 USD	
Cash Prices: Week Ending January 25, 2013	
Signature 3	71.64/157.93
Signature 4	69.73/153.72
h@ms Cash	69.05/152.22
Hylife	68.75/151.57
Thunder Creek	69.72/153.70
ISO Weans	\$51.98 US Avg.
Feeder Pigs	\$75.70 US Avg.

Forward contract prices opened mixed this morning.

US cash markets made modest gains in trade yesterday, with hog numbers comparable to year ago levels. Packers are cautious to increase bids due to the negative operating margins. The voluntary pork cut-out price increased slightly more than bids for live hogs did, with the volume of trade not being large enough to establish a reliable trend. January is typically a profitable month for packers as there is normally very little deviation in the supply of hogs. While this month's supply has been stable, packers have been unable to get their margins back into the black. Lean Hog futures found some support from yesterday's cattle market run-up, but weaker cash market fundamentals are holding back the nearby contracts. The Canadian Dollar rallied off of its six month low that was put in yesterday as traders reacted to the prospect of a slower growing economy.

Canadian delivered soymeal prices opened higher this morning.

US Soybean futures are trading higher this morning. China is expected to import 15 million tonnes in the second quarter (36% higher than in Q1). However, demand is shifting to South America and vessels are starting to lineup in SA ports. Questionable weather patterns remain for the region, especially in Argentina. Brazilian production estimates are more positive and analysts will have clearer production estimates after February weather settles in. Nonetheless, some have suggested rain is crucial this week for high yields.

Canadian delivered corn prices opened higher this morning.

Nearby US corn futures are trading higher this morning. As with soybeans, South American weather is a factor. There are no reports of crop damages yet, but no rain is forecast for the corn regions in Argentina and crop damage could be reported after two weeks of dry weather. It is now predicted that corn will 'trade sideways' until SA crop production becomes clearer. There is evidence that domestic demand for corn has been 'rationed' in ethanol markets amid high prices.

	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Fixed Forward Range (Maple Leaf Sig. #3)		150.57 153.33	152.21 164.21	166.43 175.20	171.13 176.13	174.58 176.90	165.09 174.17	157.22 159.07	154.16 158.34
(Maple Leaf Sig. #4)		151.16 152.05	151.95 161.43	162.86 171.27	170.02 173.24	171.93 173.19	166.06 171.71	156.19 162.83	155.13 157.64
Soymeal Delivered	496	496	495	495	495	497			
Corn Delivered	299	299	301						

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