



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

Hog Margin Outlook

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Monday, March 11, 2013

Forward contract prices opened higher this morning.

US cash markets are starting the week steady to slightly higher this morning, with last week's production running about 3% higher than year ago levels and growing concerns about US pork export sales. Packer bids came under heavy pressure on Friday, resulting in a \$4.00/cwt. drop in the Mid-western regions. The pork cut-out continues to be under pressure, with Friday's quote coming in near the lowest level seen in 6 months. However, packer margins are profitable and will likely provide some needed support to cash bids this week. Lean Hog futures are coming under pressure this morning due to the large premium that they hold over the cash market. Currently, the June contract is trading at nearly a \$13/cwt. premium to the cash index (LHIP), as opposed to the average for this time of year being about a \$10/cwt. Given the bearish outlook for export sales, current forward prices should be viewed as good value, and protection is recommended over the summer and fall timeframe.

Canadian delivered soymeal prices opened lower this morning.

US soybean futures are trading mixed. Minor revisions to production estimates and ending stocks in Friday's WASDE Report influenced only modest market activity. Slightly higher global production estimates initiated some price relief following the report's release. However, Chinese demand and persistent issues in getting the South American crop to market are providing short-term price support as buyers turn to the US crop.

Canadian delivered corn prices opened higher this morning.

US corn futures are trading higher. US Corn rose over the weekend, continuing its upward trajectory since the release of Friday's WASDE Report; analysts were expecting higher carryout amid corn's poor export demand as of late. Although exports were pegged at 75 million bu. lower and imports at 25 million bu. higher, domestic feed and residual use increased by 100 million bu. suggesting a net neutral situation and tighter ending stocks moving forward.

US Slaughter	
2.201 mil.	Last Week
2.133 mil.	Last Week (year ago)
W. Corn Belt	\$71.23
National Price	\$79.20
Daily Sig 3	\$134.13
Daily Sig 4	\$144.42
Thunder Creek	\$133.57
4-Month Fwd	\$160.87
1 Export Sows (+500lbs)	\$ 46.00 cwt.
B of C Ex. Rate (Noon)	
\$1.0273 CAD/\$0.9734 USD	
Cash Prices: Week Ending March 8, 2013	
Signature 3	65.08/143.48
Signature 4	65.91/145.31
h@ms Cash	65.23/143.81
Hylife	63.48/139.94
Thunder Creek	64.59/142.40
ISO Weans	\$34.25 US Avg.
Feeder Pigs	\$64.90 US Avg.

Fixed Forward Range	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(Maple Leaf Sig. #3)		145.32 152.87	156.65 165.62	161.84 166.56	165.93 168.29	159.97 167.31	151.93 153.82	145.77 153.37	137.24 143.40	140.08 142.93
(Maple Leaf Sig. #4)		146.03 152.79	155.53 163.85	162.57 165.86	165.44 166.72	162.33 166.78	152.25 159.03	149.43 154.03	139.14 147.59	141.53 145.21
Soymeal Delivered	520	523	525	528	529	529				
Corn Delivered	304	304	306							

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