



Hog Margin Outlook

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Tuesday, March 26, 2013

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

US Slaughter	
422,000	Monday
413,000	Monday (year ago)
W. Corn Belt	\$73.27
National Price	\$76.17
Daily Sig 3	\$137.23
Daily Sig 4	\$138.16
Thunder Creek	\$137.19
4-Month Fwd	\$160.36
1 Export Sows (+500lbs) \$ 54.25 cwt.	
B of C Ex. Rate (Noon) \$1.0218 CAD/\$0.9786 USD	
Cash Prices: Week Ending March 22, 2013	
Signature 3	61.97/136.61
Signature 4	64.21/141.56
h@ms Cash	63.53/140.06
Hylife	61.44/135.45
Thunder Creek	63.05/139.00
ISO Weans	\$27.07 US Avg.
Feeder Pigs	\$58.15 US Avg.

Forward contract prices opened higher this morning. US cash markets started the day sharply higher, recovering all of the weakness experienced last Friday. Packers continue to benefit from positive operating margins, but are hesitant to build inventory with the pork cut-out failing to experience any seasonal support from Easter demand. The most recent data reflecting pork in Cold Storage showed a 2% increase over last year's levels in February, among the highest levels experienced in the last 15 years. Despite this, Lean Hog futures moved higher yesterday, recovering to within \$0.50/cwt. of the highs seen this month. The premium that the June contract is holding over the current cash market is over \$16/cwt., comparing very favourably to the average of \$10.50/cwt. Interestingly, over the last 15 years when futures have held a premium over the cash market by more than the average, there has only been one year where the cash market outperformed the futures. **Given the weak cash market fundamentals and the value of forward contracts, producers should consider forward contracting at current prices.**

2013 Easter Forward Contracting Schedule

Date	Hours of Operation
March 29, 2013 (Fri.)	Closed - No Forward Contracting
March 31, 2013 (Mon.)	Regular Hours - Forward Contracting Available

Canadian delivered soymeal prices opened lower this morning. Nearby US soybean futures are trading higher. There are rumors that Thursday's Grain Stocks Report will have a modestly bullish effect as estimates come in slightly lower than expectations. As well, 'top production' years for Brazil and Argentina are currently overshadowed because of infrastructure problems in Brazil. There are reports of truck lines over 15 miles (24 km – no line last year) waiting to unload 12.6 MMT amid 50+ days of waiting for the 200 ships at berth. Chinese demand uncertainty is also supporting prices.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. Cool and wet weather in some Midwestern states is seen as supportive to the trade although a number of analysts say it is much too soon to start talking of planting delays. The Delta is more of a concern now and progressing; Louisiana is 86% complete and Mississippi is up 13% from last week to 37%, also ahead of the 22% last year. Export demand remains weak and there are reports that cargoes from Ontario and Argentina have made it into the US.

Fixed Forward Range	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(Maple Leaf Sig. #3)	145.27 147.60	155.82 164.70	160.96 165.63	164.31 166.65	158.00 165.30	150.04 151.92	143.76 151.26	135.63 141.73	138.45 141.26
(Maple Leaf Sig. #4)	144.56 147.64	154.70 162.93	161.66 164.92	163.82 165.09	160.34 164.78	150.37 157.08	150.65 151.92	137.52 145.87	139.88 143.51
Soymeal Delivered	502	503	503	504	504	504			
Corn Delivered	306	308	310						

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