



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

Hog Margin Outlook

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Wednesday, April 17, 2013

Forward contract prices opened higher this morning. US packers continue to deal with tight operating margins, but have been willing to add some value to their cash bids in order to maintain their current slaughter schedules. While the weekly hog slaughter has been modestly higher than year ago levels, carcass weights continue to lag behind last year's levels by about 2 lbs. So far this week, the biggest influence on Lean Hog futures has been 'outside' markets, such as the gold, oil and stock markets. There are recent concerns about global economic growth and sustainability that impact traders' perceptions of demand for pork, both export and domestic. These same indicators that have pressured commodity prices have also pushed the Canadian dollar lower, providing some support to forward contract prices. Given the recent uncertainty, forward prices offer good value as they assure producers of a \$10 - \$15/kg rally over the next two months.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading higher. Analysts note that support is coming from tight supplies, firming interior basis levels, and also on rumors of new, unconfirmed soybean sales to China. Continued port delays in South America have slowed the flow of product to market, but there is news that China has allowed the processing of Canadian canola, fueling rumors that the Chinese are looking for oilseed alternatives amid tight US supplies.

Canadian delivered corn prices opened higher this morning. US corn futures are trading mixed to higher. Support is coming from improving ethanol margins and a planting schedule that is behind market expectations. However, many analysts are quick to point out that it is much too soon to start making yield and production estimates noting both 2008 and 2009 were at the same progress. Pressure is coming from positive production estimates in Brazil, on pace for a second record year, and lower commodity trading in general.

US Slaughter	
419,000	Tuesday
413,000	Tuesday (year ago)
W. Corn Belt	\$79.43
National Price	\$82.62
Daily Sig 3	\$148.94
Daily Sig 4	\$150.03
Thunder Creek	\$149.36
4-Month Fwd	\$159.91
1 Export Sows (+500lbs) \$ 50.00 cwt.	
B of C Ex. Rate (Noon) \$1.0230 CAD/\$0.9775 USD	
Cash Prices: Week Ending April 12, 2013	
Signature 3	68.02/149.95
Signature 4	66.89/147.47
h@ms Cash	66.21/145.97
Hylife	65.30/143.96
Thunder Creek	66.41/146.40
ISO Weans	\$28.52 US Avg.
Feeder Pigs	\$59.88 US Avg.

Fixed Forward Range	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(Maple Leaf Sig. #3)		158.95 161.78	158.01 162.72	161.97 164.33	155.17 162.72	147.14 149.03	141.05 148.63	133.41 139.57	138.62 139.10
(Maple Leaf Sig. #4)		156.57 159.94	158.66 161.95	161.41 162.70	157.48 162.15	146.87 153.64	144.12 148.71	134.70 143.14	137.08 140.76
Soymeal Delivered	498	498	494	494	500	500			
Corn Delivered	284	286	288						

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