

Wednesday, January 07, 2015

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

Forward contract prices opened higher this morning. US cash markets continued their weaker trend despite talk of delivery cancellations due to cold weather. The supply of market ready hogs is expected to trend above year ago levels within the next few weeks, but hog weights continue to exceed year ago levels by 1.3%. Packers currently have little incentive to chase hogs; they are expecting more in the supply pipeline and have been experiencing weakness in wholesale pork prices. It is notable that after all of the volatile trade in 2014, all of the pork primal cuts are starting 2015 priced within a 6% margin compared to a year ago. While the outlook for production appears more bearish that it did at this time last year, inventory of pork is down sharply relative to last year, with supplies at December 1 showing 11% less pork in storage. Nearby Lean Hog futures have been experiencing weakness as the funds have been exiting from their large net long positions, but the months representing the fall of 2015 have been far more stable. Producers planning on taking protection in the 3rd Quarter should view current prices as fair value given the uncertainty related to several market factors.

Canadian delivered soymeal prices opened higher this morning. US soybean futures are trading lower. There are thoughts that an increase in harvest activity in S. America and some slower Chinese buying has offset some concerns with the recent weather issues in Argentina and Brazil. Pre-WASDE report numbers are out (at right), showing the market generally is of the view that production, ending stocks and grains stocks will be better than year ago, and among record levels.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower following support over the past couple sessions, attributed, in part, to pressure from the wheat market. Bloomberg has released analyst estimates for the upcoming WASDE report and ending stocks on average are coming in lower than the 2 billion bu. benchmark. However, the range is ~500,000 bu. pushing the upper estimate back over 2.1 billion bu. In any event, there is still a relatively large corn crop estimated.

US Slaughter	
425,000	Tuesday
374,000	Tuesday (year ago)
W. Corn Belt	\$73.73
National Price	\$77.81
Daily Sig 3	\$159.53
Daily Sig 4	\$163.03
Thunder Creek	\$161.20
4-Month Fwd.	\$172.84
B of C Ex. Rate (Noon) \$1.1804 CAD/ \$0.8471 USD	
Cash Prices Week Ending January 03, 2015	
Signature 3	160.40/72.76
Signature 4	162.46/73.69
h@ms Cash	160.96/73.01
Hylife	161.16/73.10
Thunder Creek	159.30/72.26
ISO Weans	\$76.79 US Avg.
Feeder Pigs	\$86.37 US Avg.
#1 Export Sows (+500lbs)	n/a this week (Tagged)

Summary of Pre-WASDE Report Estimates			
	Measure	Avg Est	Range
Soybeans	Production (bn.)	3.962	3.844 - 4.020
	Yield (bpa)	47.7	46.8-48.2
	'14 Ending Stock	401 mil.	355-475
Corn	Production (bn.)	14.342	14.171 - 14.540
	Yield (bpa)	173.4	171.3-176.5
	'14 Ending Stock	1.944 bil.	1.710 - 2.194

Source: Steiner and Meyers, DLR; Bloomberg

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		161.87 163.71	163.50 167.30	168.16 171.43	182.31 189.93	187.75 194.28	189.19 194.65	181.43 189.08	161.99 170.73	156.83 163.92
Maple Leaf Sig. #4		160.85 161.80	160.85 164.85	164.95 167.27	177.91 186.56	184.66 189.93	186.91 191.56	181.30 186.27	161.84 177.49	157.57 163.07
Soymeal Winnipeg Delivered	554	508	508	496	496					
Corn Wpg, Delivered	190									

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