

Thursday, January 08, 2015

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

**Forward contract prices opened lower this morning.** US

cash markets were lower again yesterday as packers seem resigned to let the cold weather move through and simply wait for marketings to pick up with warmer temperatures forecasted. Yesterday's slaughter only amounted to about 418,000, down close to 15,000 from earlier this week. Most traders are anticipating abundant supplies of pork coming into the first few months of the new year as hog weights maintain record highs, PEDv losses were lower 4-6 months ago, and export sales remain slow. In fact, the latest pork export sales data released by the USDA earlier this week showed a dismal performance; 17% less pork was sold in November 2014 compared to the year previous. If anything, market conditions have only deteriorated further in the last 40 days due to a stronger US Dollar. The fact that this product has not been leaving the US means that domestic inventory has been building at a quicker-than-average pace and is likely a major contributor to the weakness in wholesale pork prices over the last few weeks. Producers should consider taking out some price risk by hedging as much as 25% of their 1st Quarter 2015 production at current prices and 20% of their 2nd Quarter production on a rally of \$5-\$7/ckg.

**Canadian delivered soymeal prices opened lower this morning.**

South American weather issues that have been in the press this week are now thought to be over exaggerated somewhat, and there is a growing consensus that any regional wet or dry issues will not have that much influence on major crop loss. Traders are awaiting Monday's WASDE report which is widely believed to not veer drastically from the December report, although some are expecting surprises, particularly higher demand indicated by the feed and residual use variable.

**Canadian delivered corn prices opened lower this morning.**

In addition to pre-WASDE report positioning, there are rumors that some major index funds are preparing to 'rebalance' their positions starting today. One broker expects 25,000 long corn contracts to be offered up, and while this isn't expected to have a huge impact in the big picture, it is thought to be a reason for some further weakness in the corn market heading into the weekend. US corn is currently considered competitive on world markets, but weak export sales numbers (released this AM) are likely adding further pressure.

US Slaughter	
418,000	Wednesday
428,000	Wednesday (year ago)
W. Corn Belt	\$74.03
National Price	\$77.76
Daily Sig 3	\$160.81
Daily Sig 4	\$163.56
Thunder Creek	\$160.54
4-Month Fwd.	\$170.70
<b>B of C Ex. Rate (Noon)</b> \$1.1851 CAD/ \$0.8438 USD	
<b>Cash Prices Week Ending January 03, 2015</b>	
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
Soy-beans	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		159.68 162.51	161.31 165.11	165.93 169.19	179.84 187.44	185.27 191.79	186.04 192.03	178.19 186.69	160.76 169.47	155.95 163.03
Maple Leaf Sig. #4		159.99 162.30	159.99 163.98	164.04 166.36	175.94 184.56	182.67 187.93	184.37 189.01	180.05 183.95	160.63 176.25	156.72 162.21
Soymeal Winnipeg Delivered	544	499	499	489	489					
Corn Wpg, Delivered	188									

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