

Friday, January 09, 2015

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

**Forward contract prices opened lower this morning.** US cash markets pushed down to a new low as all USDA cash market regions reported prices under \$73.00/cwt in yesterday's trade. Packers have been patient in the cold weather, not willing to make any detours from their buying strategies, to keep plants running at capacity this week. Most traders anticipated a larger run of hogs at this time of year given the dip in PEDv case data corresponding to the late summer months. However, heavy carcass weights continue to make up for most of the shortfall in numbers, with a couple of the mandatory price report categories showing average carcass weights higher than 217lbs. Spring and summer Lean Hog Futures dropped approximately \$2.00/cwt in trade yesterday as the bearish cash market trend, combined with fund selling, was too much for the market to maintain values. However, the fall months of 2015 have been far more stable. Producers planning on taking protection in the 3<sup>rd</sup> Quarter should view current prices as fair value given the uncertainty of several market factors.

**Canadian delivered soymeal prices opened lower this morning.** US soybean futures are trading higher on the last session ahead of Monday's WASDE report as traders finalize their positions. There is a general consensus that the January report is an influential one. It has been followed by \$0.34 USD/bu. market moves (on average) in either direction, and it generally sets the tone until March when new US planting data starts to roll in. At right is a summary of analysts' estimates.

**Canadian delivered corn prices opened even this morning.** As with soybeans, there are thoughts that the recent strength is in part a function of pre-WASDE report positioning. There are thoughts, however, that the market maintains a bearish bias, although many in the trade will be watching the feed and residual use number on Monday, a variable that has been revised in past January reports. The general expectation is that feed and residual use will be revised higher this year due to expected expansion in the pork and poultry industries.

US Slaughter	
424,000	Thursday
433,000	Thursday (year ago)
W. Corn Belt	\$72.86
National Price	\$77.70
Daily Sig 3	\$162.91
Daily Sig 4	\$161.41
Thunder Creek	\$157.70
4-Month Fwd.	\$168.32
<b>B of C Ex. Rate (Noon)</b> \$1.1812 CAD/ \$0.8465 USD	
<b>Cash Prices Week Ending January 10, 2015</b>	
Signature 3	160.33/72.73
Signature 4	162.91/73.90
h@ms Cash	161.41/73.22
Hylife	n/a
Thunder Creek	160.70/72.89
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		156.62 161.67	158.25 162.06	162.93 166.20	177.65 185.27	183.09 189.63	183.55 189.57	176.62 184.28	159.54 168.30	154.81 161.93
Maple Leaf Sig. #4		157.04 161.50	157.04 161.04	161.16 163.48	173.82 182.47	180.57 185.85	181.99 186.65	178.66 181.63	159.48 175.16	155.64 161.15
Soymeal Winnipeg Delivered	542	498	498	489	489					
Corn Wpg, Delivered	188									

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