

Monday, January 12, 2015

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

Forward contract prices opened mixed this morning. US hog slaughter last week totaled 2.163 million head, up more than 3% from last year. The week to week comparison is not entirely reflective of the current supply situation, but the trend in the numbers and weights of market ready animals is decidedly larger. Last week's pork production was estimated at 4% larger than year ago levels, with packers having little difficulty meeting their sales obligations. When you combine this factor with evidence of slow pork export sales and expanding chicken production (+10% over year ago), cash market fundamentals are bearish. Nearby Lean Hog futures have been establishing new contract lows, in part due to the weak cash market. Fund selling has contributed to the weakness, as they have been exiting their long positions for more than a month and their "net long" position is down more than 33% from levels in early December. PEDv is having a diminishing effect on the market, with no significant spike in the number of cases being reported over the last month. Producers that had anticipated another round of significant death loss from the disease should reconsider their pricing objectives, and consider protecting a portion of their 2015 production at current prices.

Canadian delivered soymeal prices opened lower this morning. The big news today is the release of the January WASDE report (11AM, Central). Analysts' estimates (right) show market expectations heading into the release; pre-report positioning has turned around from the strength seen last week. There is an expectation of a revision to feed and residual use, and a lowering of US ending stocks by about 10 million bu. A record high South American production estimate of 95.9 MMT is reported by CONAB adding pressure.

Canadian delivered corn prices opened even this morning. As with soybeans, the US corn trade is anxiously awaiting the release of the WASDE report for fresh news. Trading volumes are light ahead of the release as expected with only 'last minute' positioning being undertaken. There is talk that traders are expecting production estimates to be lowered by 65 million bu. and a revision to the feed figure that could be supportive despite a recent sell-off by the speculative funds ahead of the report's release.

US Slaughter	
2.163 mil.	Last Week
2.089 mil.	Last Week (year ago)
W. Corn Belt	\$72.38
National Price	\$77.31
Daily Sig 3	\$157.31
Daily Sig 4	\$162.71
Thunder Creek	\$157.13
4-Month Fwd.	\$168.30
B of C Ex. Rate (Noon)	
\$1.1857 CAD/ \$0.8433 USD	
Cash Prices Week Ending January 10, 2015	
Signature 3	160.33/72.73
Signature 4	162.91/73.90
h@ms Cash	161.41/73.22
Hylife	161.33/73.18
Thunder Creek	160.70/72.89
ISO Weans	\$66.81 US Avg.
Feeder Pigs	\$84.76 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		156.52 161.55	158.16 161.99	162.87 166.16	177.72 185.40	183.20 189.78	183.05 189.08	176.14 183.82	159.04 167.81	153.84 160.96
Maple Leaf Sig. #4		156.97 161.42	156.97 161.00	161.12 163.45	173.90 182.61	180.70 186.01	181.51 186.18	178.21 181.19	159.00 174.71	154.70 160.21
Soymeal Winnipeg Delivered	532	507	500	489	489					
Corn Wpg, Delivered	188									

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