

Tuesday, January 13, 2015

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

Forward contract prices opened mixed this morning. US cash markets found slight support in yesterday's trade, as packers were willing to alter their recent trend in an attempt to secure a full schedule for this week. Hog numbers appear to have increased significantly from the holiday weeks, with some facilities adding a shift on Sunday. This explains yesterday's USDA reported 455,000 Federally Inspected hog slaughter, as Sunday's slaughter was added to the next week day. Adding to the heavy supply are carcass weights that are trending over year ago levels by approximately one pound. Spring and summer month Lean Hog futures are being influenced by the bearish cash market trend, dropping about 2.5% of their value in trade yesterday. The market is also dealing with increasing competition from chicken and slow export sales, in part due to the high US Dollar. Producers should consider protecting a portion of their 2015 production through the use of targets placed \$6-\$8/kg higher than current forward prices in the summer months. However, the fall timeframe still holds good value given the projected growth in hog supply and producers should consider protecting as much as 20% of September-October production at current prices.

Canadian delivered soymeal prices opened lower this morning. There weren't many 'surprises' in yesterday's WASDE report as estimates came within market expectations, albeit on the low side. Nevertheless, a 31-35 cents/bu. move lower materialized from opening (35-38¢ change from previous day's close) as the market viewed the report as bearish. This morning sees some support on corrective activity and strong basis is keeping local meal prices supported as well.

Canadian delivered corn prices opened higher this morning. US corn futures headed lower immediately following the report but turned higher. While ending stocks were within market expectations, many of corn's variables were lower than average estimates and December's numbers; significantly, harvested acreage and yield influenced an ending stock number lower into 1.8 billion bu. territory. Still large to be sure, but enough to be supportive as acreage is expected to shift even lower next year.

US Slaughter	
455,000	Monday
430,000	Monday (year ago)
W. Corn Belt	\$72.42
National Price	\$76.49
Daily Sig 3	\$158.37
Daily Sig 4	\$161.97
Thunder Creek	\$158.32
4-Month Fwd.	\$165.04
B of C Ex. Rate (Noon)	
\$1.1930 CAD/ \$0.8382 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)	\$39.00/cwt. (Tagged)

Summary of WASDE Report				
	Measure	Avg Est	Range	WASDE
Soybeans	Production (bn.)	3.962	3.844 - 4.020	3.969
	Yield (bpa)	47.7	46.8-48.2	47.8
	Ending Stocks	401 mil.	355-475	410
Corn	Production (bn.)	14.342	14.171 - 14.540	14.216
	Yield (bpa)	173.4	171.3-176.5	171.0
	Ending Stocks	1.944 bil.	1.710 - 2.194	1.877

Source, Steiner and Meyers, DLR, Bloomberg, USDA

Fixed Forward Range (at opening)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Maple Leaf Sig. #3		152.86 157.68	154.50 158.34	159.10 162.39	175.41 183.09	180.90 187.48	181.04 187.10	174.22 181.93	159.64 168.45	155.08 162.25
Maple Leaf Sig. #4		153.44 157.68	153.44 157.47	157.47 159.80	171.67 180.38	178.47 183.79	179.58 184.27	176.38 179.37	159.60 175.38	155.94 161.50
Soymeal Winnipeg Delivered	529	503	496	485	485					
Corn Wpg, Delivered	193									

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