

Tuesday, February 24, 2015

Forward contract prices opened mixed this morning. US cash markets made a big improvement in trade yesterday, with key regions gaining more than \$2.00/cwt over Friday's values. The higher bids lured more hogs to market with an estimated daily slaughter of 430,000, the largest in recent weeks. However, wholesale pork prices failed to see any significant improvement, remaining at their lowest levels in 5 years, due to a backlog of pork inventory preventing any sizable rally in the near term. Last week, the USDA released its Cold Storage report which confirmed the massive inflow of pork into warehouses as a result of higher than expected production and slow pork exports. Pork inventory jumped nearly 20% from the previous month and is now at levels comparable to the start of 2014. While the futures market has embraced the recent cash market recovery and news of the resolved West Coast port slowdown, nearby contracts are still at risk of weakness as they hold a larger than average premium to the cash market. Producers should view the recent improvement in forward contract prices as an opportunity to mitigate some of their spring, summer and fall price risk amid concerns of abundant supplies of pork and its substitutes.

Canadian delivered soymeal prices opened higher this morning. Decent export data, harvest delays due to heavier rain in areas of Brazil and a trucker protest in the country (over fuel prices) are supporting a bounce. Although it appears to be a long time coming, the consensus in the trade is that the market is poised to turn lower. Harvest in S. America is expected to ramp up in the coming weeks and with the current Brazilian discount of \$60 USD/MT relative to the US variant, price pressure is expected to materialize sooner than later. However, meal supplies remain tight in the Midwest.

Canadian delivered corn prices opened even this morning. US corn futures are trading higher despite a high USD and relatively low price of oil. Support from wheat and soybeans as well as decent export data is supportive and has been more than enough to offset fundamental pressures. However, there is still some disagreement within the trade regarding projected acreage from the USDA Outlook Forum; as such, planting intentions will be watched closely. Traders now consider this variable to be the 'wild card' in the corn trade for now.

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

US Slaughter	
430,000	Monday
426,000	Monday (year ago)
W. Corn Belt	\$62.40
National Price	\$62.20
Daily Sig 3	\$143.89
Daily Sig 4	\$138.89
Thunder Creek	\$143.66
4-Month Fwd.	\$ 173.80
B of C Ex. Rate (Noon)	
\$1.2580 CAD/ \$0.7949 USD	
Cash Prices Week Ending February 21, 2015	
Signature 3	130.57/59.23
Signature 4	139.87/63.44
h@ms Cash	138.37/62.76
Hylife	137.87/62.54
Thunder Creek	134.30/60.92
ISO Weans	\$47.60 US Avg.
Feeder Pigs	\$72.66 US Avg.
#1 Export Sows (+500lbs) \$30.00/cwt. (Tagged)	

Fixed Forward Range (at opening)	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Maple Leaf Sig. #3			145.98 150.61	164.33 179.36	179.36 186.30	182.41 188.77	171.16 185.02	157.29 164.22	141.46 159.74	132.79 138.57	139.15 142.04
Maple Leaf Sig. #4			148.31 151.89	163.94 179.40	179.40 185.00	183.36 188.28	175.93 184.32	159.36 173.69	149.09 161.07	138.33 145.95	143.49 145.95
Soymeal Winnipeg Delivered	539	532	528	528	519	520	517	520			
Corn Wpg, Delivered	196										

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STRENGTH IN NUMBERS

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